



CHALMERS
UNIVERSITY OF TECHNOLOGY



From Swedish AB to Delaware C-corp

Understanding the Drivers, Mechanisms,
and Trade-offs of the Delaware Flip

Master's thesis in Management and Economics of Innovation

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CHALMERS UNIVERSITY OF TECHNOLOGY
Gothenburg, Sweden 2026
www.chalmers.se

Master's thesis 2026

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Typeset in Word
Printed by Chalmers Reproservice
Gothenburg, Sweden 2026

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Abstract

This thesis investigates why Swedish tech startups choose to pursue a Delaware flip, and how this decision influences their access to U.S. venture capital networks, mentorship, and signaling effects. Despite the growing prevalence of Delaware incorporation among venture-backed startups, empirical research focusing specifically on Swedish founders remains limited. The study adopts a qualitative research design based on semi-structured interviews with 16 respondents across four groups: founders, investors, intermediaries, and innovation support actors. Empirical data was collected in both Sweden and San Francisco, enabling cross-contextual comparison.

The findings show that the Delaware flip is primarily driven by institutional pressure rather than active strategic choice, even though startups benefit from the decision as they expect to grow globally, it functions as an entry requirement to the U.S. venture capital ecosystem rather than an independent value creator. Capital availability, higher valuations, and risk appetite in the U.S. further reinforce the decision. However, the flip introduces significant trade-offs including legal complexity, dual compliance burdens, and potential friction with European customers. The standalone signaling value of Delaware incorporation is found to be limited, with stronger signals stemming from affiliations with reputable investors and accelerators such as Y Combinator. The thesis contributes a Swedish empirical perspective to existing literature and offers practical implications through a decision-support tool for founders evaluating a Delaware flip.

Keywords: Delaware flip, venture capital, Swedish startups, institutional theory, signaling theory, internationalization.

Acknowledgement

We would like to begin by expressing our gratitude to Viktor Ström and his team for making our trip to Berkeley possible. Travelling to the Bay Area and being present in the ecosystem we were writing about gave us a depth of understanding that we could not have gained from behind a desk. Meeting people face to face who are actively operating within this world, founders, investors, and ecosystem builders brought the subject to life in a way that shaped how we approached and understood our research. We were struck by how openly people welcomed us and engaged with our questions, and happy to hear that respondents expressed that it's a highly relevant topic today. That validation meant a great deal to us and gave us confidence that we were writing about something that matters.

We also want to extend our thanks to everyone who agreed to be interviewed for this thesis. Without your participation, this work would simply not have been possible. Hearing about your journeys, the risks you took, the challenges you navigated, and what you have built was one of the most rewarding parts of this entire process. You have inspired us far beyond the pages of this thesis. Not just academically, but personally. Listening to your stories reminded us that with the right mindset and drive, almost anything is achievable. We are genuinely in awe of what you have accomplished and continue to work on today.

Finally, we would like to thank our supervisor for the guidance and valuable feedback provided throughout this process. Having someone to help us find the right direction from the very beginning, and to keep us on track along the way, made all the difference in being able to both start and complete this work.

List of Abbreviations

AB – Aktiebolag, the Swedish equivalent of a limited liability company.

AI – Artificial intelligence.

C-corp – C-corporation, a U.S. corporate legal structure commonly used by venture-backed startups.

CLOUD Act – Clarifying Lawful Overseas Use of Data Act, a U.S. federal law concerning access to data held by U.S.-based service providers.

DF – Delaware flip, the process of restructuring a company so that a Delaware C-corp becomes the parent company.

GDPR – General Data Protection Regulation, the European Union regulation governing personal data protection.

IP – Intellectual property.

IPO – Initial public offering, the process through which a private company becomes publicly listed.

M&A – Mergers and acquisitions.

QSBS – Qualified Small Business Stock, a U.S. tax provision that may provide tax benefits for qualifying investments in certain C-corporations.

SAFE – Simple Agreement for Future Equity, an early-stage financing instrument commonly used in the U.S. startup ecosystem.

U.S. – United States.

VC – Venture capital

YC – Y Combinator, a U.S.-based startup accelerator.

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1. Introduction

This thesis investigates Delaware flips and their implications for Swedish tech-startups. The following sections will provide the reader with an understanding of the research focus, background, and problem identification, along with the purpose and scope of this work.

1.1. Research Focus and Approach

The rapid rise of many Swedish tech startups has amplified the push for firms to reach U.S. venture capital, talent, and market networks. One way to get access to all that is to pursue a so-called Delaware flip, where a company incorporates in the U.S., often in Delaware, to benefit from a more experienced venture capital ecosystem, get access to networks and achieve faster, more valuable exits (Waisman et al., 2009). While the practice seems to be relatively known among startups relocating to the U.S., scholarly knowledge about its adaptiveness, drivers, benefits and potential drawbacks remains fragmented.

This thesis investigates the phenomenon of the Delaware flip, examining why, how, and under what conditions Swedish tech startups choose to relocate their corporate structure to the U.S. Differences in entrepreneurial culture, attitudes toward risk and failure, access to talent, and investor expectations may become particularly salient when Swedish founders seek capital in the U.S., shaping how they interpret the requirements for accessing international funding.

Building on prior research on venture capital, internationalisation strategies, signaling theory, entrepreneurial ecosystems, and regulatory environments, this thesis seeks to explore the motivations and drivers among Swedish tech startups in pursuing a Delaware flip. It will therefore be interesting to investigate the signaling effects it has on investors, the ecosystem around U.S. venture capital and cultural differences between Sweden and the U.S. This research aims to illuminate how factors like this influence the relocation strategies of Swedish founders in pursuit of venture capital, operational success, and international growth.

To address this, the study combines a literature review with qualitative empirical evidence from interviews with founders, investors, intermediaries and innovation support actors. By focusing on how these actors interpret and respond to institutional and cultural differences, the thesis aims to contribute to a more nuanced understanding of what the Delaware flip signals and why

it is pursued in practice, particularly in a Swedish context where empirical research remains limited.

1.2. Background

The background of this thesis summarizes existing knowledge on Delaware law and venture capital to give an initial understanding of what a Delaware flip is and why U.S. venture capital is attractive among early ventures. While prior research emphasizes the benefits and prevalence of Delaware incorporation, it remains unclear whether these advantages are primarily driven by legal features, signaling mechanisms, or improved access to the U.S. entrepreneurial ecosystem.

1.2.1. Delaware Law

U.S. corporate law and particularly Delaware law provides significant contractual flexibility which has been a key factor in enabling the successful formation and financing of startups in Silicon Valley (Giudici and Agstner, 2019; Lerner & Tåg, 2013). There is evidence of a positive Delaware effect, showing that Delaware incorporated (Delaware C-corp) entrepreneurial firms receive more venture capital funding, undergo more financing rounds, involve more venture capital firms, and achieve faster and more valuable exits through initial public offerings (IPO) or merger and acquisitions (M&A) with higher quality underwriters (Waisman et al., 2009). The M&A dimension is further supported by Daines (2001), who finds that Delaware-based companies often have higher market valuations and are more likely to be acquired. According to Daines, one explanation is Delaware's more flexible rules for corporate takeovers, which can make acquisitions easier and less costly for buyers, and companies that move to Delaware to facilitate mergers or acquisitions tend to experience especially strong financial gains. In addition to this, legal frameworks such as Delaware law facilitate more efficient investment processes for venture capital firms (Broughman et al., 2014). Delaware incorporation may therefore function not only as a legal choice but as a quality signal to investors, indicating that the startup offers a transparent legal environment, reduced uncertainty, and a higher likelihood of a successful exit (Waisman et al., 2009). Because early-stage ventures typically suffer from information asymmetries, founders often resort to costly signals to convey otherwise hidden quality to potential investors (Bafera & Kleinert, 2022). Third parties, such as venture capital, can certify quality through due diligence and reputation.

Switching to Delaware C-corp is a common move for most U.S. firms (Waisman et al., 2009). Firms in the Asia-Pacific region choose to relocate to the U.S. in order to yield higher returns

(Cumming et al., 2009). Cases in Europe have also been documented e.g. Zendesk relocating to the U.S. (Weik et al., 2023) and Seed legal helping multiple UK companies and early-stage ventures relocating to a Delaware C-corp (Rose, 2025). Relocation rates vary significantly across Europe, and data shows that venture capital backed startups originating from Sweden have a relocation rate of approximately 2.6% (Domnick et al., 2026). Although incorporation in Delaware has become relatively known among startups relocating to the U.S., the reasons behind this organizational choice remain underexplored.

1.2.2. Venture Capital Markets

Economic growth is largely driven by innovation from young firms. However, financing such firms is challenging due to information asymmetries and misaligned incentives between investors and entrepreneurs (Lerner & Tåg, 2013). Venture capital (hereby shortened VC for the following sections) has emerged as a mechanism to mitigate these challenges by providing capital, active governance, monitoring, and strategic support to early ventures.

When firms scale globally, the U.S. plays a dominant role and is widely considered the global benchmark for VC markets (Weik et al., 2023; Tula et al., 2024). The strength of the U.S. innovation ecosystem is shaped by multiple, mutually reinforcing factors (Tula et al., 2024). It benefits from a large and experienced VC community as well as world-class universities that foster a strong culture of innovation and entrepreneurship. These institutions promote entrepreneurial education and a willingness to take risks. In parallel, U.S. VC firms provide entrepreneurs with access to capital, networks, and market knowledge, often through active involvement in strategic guidance and M&A.

The U.S. VC market developed earlier than its European counterpart, allowing more time to accumulate capital, expertise, and dense networks. In contrast, the European VC market faces several structural barriers (George & Nathusius, 2007). VC investments in Europe are constrained by market fragmentation, comparatively weaker exit opportunities, and a limited presence of large institutional investors. These challenges become even clearer when firms move from the startup phase to the scaleup phase, as Europe's larger weakness appears when firms need bigger rounds of financing to scale (Fratto et al., 2024). By their tenth year, EU-based scaleups have on average raised around half the capital that comparable firms in San Francisco have raised. Subsequently, as companies grow, European firms tend to face larger financing constraints compared to the U.S. Therefore, many firms are pushed to seek funding

abroad. As a result, European VCs tend to focus on firms with strong professional management and the ability to scale internationally or across multiple European markets (George & Nathusius, 2007). Although the European VC market remains smaller and younger than that of the U.S., Sweden stands out as an exception (Lerner & Tåg, 2013). Sweden's financial market liberalization, combined with active government policies supporting VC, has contributed to the expansion of its VC market over the past two decades. This has positioned Sweden among the ten most active VC markets globally.

While the number of startups in Europe has increased, cultural factors continue to constrain entrepreneurial activity. In many European contexts, failure is not widely perceived as a learning opportunity, which reduces risk-taking among entrepreneurs (George & Nathusius, 2007; Lerner & Tåg, 2013). Such cultural attitudes also influence entrepreneurs' willingness to scale internationally, including beyond domestic markets. Education systems and mass media play an important role in shaping these norms. A well-functioning VC market requires not only capital but also a steady pipeline of ambitious startups. Successful startups, in turn, serve as role models, reinforcing entrepreneurial activity and creating path dependency within the ecosystem.

The problem is not a shortage of ideas or ambition (Draghi, 2024). Europe has talented researchers and entrepreneurs filing patents at a high rate, yet innovation is blocked when trying to translate from innovation into commercialization. This is due to restrictive and inconsistent regulations making the pathway uncertain. For European startups specifically, key factors pushing them to relocate outside the EU include this persistent regulatory complexity, difficulties in accessing top talent, and the continued fragmentation of the single market (Domnick et al., 2026). As a result, European founders look into other areas for financing and growth opportunities, such as the U.S. VC and the U.S. market. This has resulted in close to 30% of European-origin unicorns, startups valued at over U.S. \$1 billion, relocating their headquarters abroad, and the overwhelming majority to the U.S. This relocation is often directed at highly developed entrepreneurial hubs such as San Francisco, Boston, and New York where investors, talent, and growth-oriented networks are concentrated.

1.3. Problem Identification

Although current literature studies U.S. VC dominance and documents a positive effect of the Delaware flip, there is a clear research gap about how European, and specifically Swedish tech

startups perceive, evaluate and decide upon the flip as a strategic choice. Recent findings from the European Commission highlight that empirical evidence on the relocation of European startups remains scarce (Domnick et al., 2026). Existing studies have predominantly focused on quantifying overall relocation rates, geographic destinations, and the timing of these moves, leaving a gap in understanding the qualitative motivations behind them. This lack of knowledge therefore limits the understanding of whether incorporation as a Delaware C-corp functions primarily as a legal signal of investor readiness, indicates credibility through third-party certifications, or simply reflects access to ecosystem-level advantages. In particular, there is a lack of empirical research focusing specifically on Swedish tech startups that relocate to Delaware.

This topic becomes especially important due to the broader European financing environment. If firms in Europe face increasing difficulty in getting capital as they scale, and therefore turn to foreign investors, buyers, and markets, then the Delaware flip may reflect more than just a legal preference. Instead, the flip may be a response to the structural weaknesses in the European environment such as in funding conditions, investor depth, and exit opportunities. Additionally, if founders choose to pursue a Delaware flip based on incomplete or misinterpreted assumptions about what investors value, it can potentially lead to unnecessary complexity or suboptimal strategic decisions. At the same time, a limited understanding of what the flip actually signals constrains both researchers and practitioners in assessing whether the relocation reflects inherent firm quality or external structural conditions. Addressing the research gap is therefore essential to better understand how and why such organizational choices influence the decision and access to VC, signaling mechanisms and support from the broader innovation ecosystem.

To concretize this thesis studies the mechanisms behind Delaware flip and what they signal to investors, focusing on Swedish tech startups. The thesis investigates the following two research questions:

RQ1: Why do Swedish tech startups choose to pursue a Delaware flip?

The first question addresses the motivations and drivers behind the decision. It aims to explore under what circumstances early ventures choose to pursue a Delaware flip such as investor pressure, institutional norms, strategic positioning, or a combination of factors. By examining

“why” this thesis seeks to find a nuanced view of the decision-making process for Swedish startups, and have a solid ground of understanding to later, in research question 2, further understand the mechanism and trade-offs of pursuing a flip.

RQ2: In what ways does a Delaware flip influence entrepreneurs' access to the U.S. VC networks, mentorship opportunities, and signaling effects?

The second question examines the broader entrepreneurial ecosystem to understand the consequences and gains of the flip. By focusing on how the change to a U.S. legal structure shapes the startup's growth and position, this question seeks to investigate how access to networks, mentorship and signaling effects affect the startups. Further the study seeks to understand if the positive effects overcome the drawbacks, to help future startups evaluate upon a Delaware flip.

1.4. Purpose

The purpose of this thesis is to investigate the phenomenon of the Delaware flip among Swedish technology startups and to understand how this move affects their access to VC, talent, and market expansion.

Although the literature on internationalisation and VC financing is extensive, there is little research that connects the advantages of incorporating in Delaware. By addressing this gap, the thesis contributes empirical insight into how Swedish tech startups perceive, evaluate, and experience the Delaware flip in relations to U.S. investor expectations, ecosystem access, signaling effects, and the legal, financial, and regulatory trade-offs associated with cross-border incorporation.

1.5. Scope

Geographically, the study focuses on Sweden and the U.S. While broader references to the European VC and entrepreneurial context may occasionally be made to provide contextual background, the primary analytical comparison is explicitly limited to Sweden and the U.S.

Empirically, the study includes four main groups of actors: Swedish tech-founders, investors, intermediaries and innovation support actors. The respondents have either engaged with the U.S. market, through physical presence, fundraising activities, incorporation decisions, or other

strategic ties. This inclusion of actors enables the study to capture experiences of U.S. engagement, and insights from the ecosystem as a whole.

The focus lies on participants' interpretations and lived experiences rather than on measuring financial performance or establishing causal relationships. Therefore, the findings are intended to contribute to a contextual and interpretive understanding of cross-border entrepreneurship and VC dynamics, rather than to offer statistical conclusions.

Furthermore, the study does not aim to provide a comprehensive comparison of all available international incorporation jurisdictions. While alternative tax-beneficial structures exist such as incorporation in the Cayman Islands or Singapore. The analytical focus is intentionally limited to the Delaware C-corp structure and its implications for Swedish tech startups, as this represents by far the most prevalent incorporation choice among the studied population. Broadening the scope to include multiple jurisdictions would risk diluting the analytical depth of the Delaware-specific examination that this study seeks to provide.

1.6. Disposition

The remainder of this thesis is structured as follows. Chapter 2 presents the literature review, covering why Swedish startups are drawn to U.S. venture capital, how Delaware became the standard legal structure for accessing it, and what tensions arise once a startup has made the move. The review draws on topics such as VC, signaling theory, institutional theory, and internationalization strategies. Chapter 3 describes the methodology, including the research design and interview approach. Chapter 4 presents the empirical findings from the conducted interviews. Chapter 5 discusses the empirical findings in relation to the literature review. Finally, Chapter 6 offers a conclusion where research questions are answered, contribution to existing literature and practical implications.

2. Literature Review

This chapter presents the literature review and draws on literature related to venture capital, entrepreneurship, internationalisation and signaling theory. The theoretical concepts presented in this chapter will later be used to interpret the empirical findings.

2.1. The Core Problem: Information Asymmetry in Cross-border Financing

Obtaining external financing is often challenging due to significant information asymmetries between entrepreneurs and investors regarding the true quality of the venture (Colombo, 2021; Solodoha, 2026). This challenge is particularly pronounced in early-stage ventures, where technologies are unproven, products are incomplete, and market demand remains uncertain, limiting the availability of objective performance data (Colombo, 2021). As a result, signaling theory suggests that entrepreneurs must rely on observable cues to convey otherwise hidden information about venture quality and reduce perceived risk for investors (Colombo, 2021; Bafera & Kleinert, 2022; Solodoha, 2026). These signals can take various forms, including founder characteristics such as education and experience, technological capabilities, innovation outputs, and affiliations with credible third parties (Colombo, 2021; Zamani et al., 2025). Third-party endorsements such as VC involvement, strategic partnerships, or media coverage are often perceived as more credible, because they validate the venture through external evaluation and due diligence (Bafera & Kleinert, 2022; Baik & Shin, 2025). Among these third-party endorsements, competitive government research grants are also powerful signals, as they require applicants to undergo rigorous evaluation by experts and demonstrate both technical and organizational credibility, criteria's that are directly relevant to investor assessments of venture quality (Islam et al., 2018). Additionally, Domnick et al. (2026) means that by relocating a startup to move its parent entity to a familiar legal jurisdiction, founders create a verifiable structural signal that reduces investors perceived risk, while also enabling them to deploy their own networks and prepare the company for future exit opportunities.

The effectiveness of signals also depends on the type of investor and the stage of the venture. Angel investors, who typically invest their own capital in very early-stage firms, often rely on signals related to the entrepreneur's motivation, enthusiasm, and personal capabilities, as well as the overall legitimacy of the venture (Colombo, 2021). In contrast, VC investors, who generally invest in later stages and manage external funds, place greater emphasis on more

structured and verifiable signals, such as human capital, technological competence, market traction, and affiliations with reputable actors (Colombo, 2021; Busenitz et al., 2005).

Furthermore, the interpretation of signals is not universal but depends on the characteristics of the receiver, such as their experience, industry knowledge, and geographical proximity, which influence how risk and uncertainty are perceived (Colombo, 2021; Solodoha, 2026). For example, local investors may rely more on contextual knowledge and informal networks, while foreign investors tend to depend on standardized and verifiable signals to compensate for their lack of local insight (Solodoha, 2026). For Swedish tech startups seeking capital beyond domestic borders, this challenge takes on a particular dimension. As Solodoha (2026) notes, foreign investors cannot rely on contextual knowledge or informal networks, making them particularly dependent on standardized and verifiable signals. It is in this context that the Delaware flip emerged as a structural response, a legal reorganization that, as Domnick et al. (2026) and Waisman et al. (2009) document, has become increasingly prevalent among startups seeking access to U.S. VC.

2.2. The Institutional Response: How Delaware Became the Standard

The Delaware flip can be understood as part of a broader standardization of startup financing around U.S. legal norms (Domnick et al., 2026). Over time, Delaware incorporation has become closely associated with venture-backed startups, not only because of its legal features, but also because repeated use by investors, lawyers, and high-growth firms has made it a familiar and expected structure making it an institutional standard within U.S.-oriented venture financing (Bainbridge, 2024).

2.2.1. The Delaware Flip

When a firm replaces its domestic corporate entity with a newly formed U.S. holding company in the state of Delaware i.e. a Delaware C-corp, it is called a Delaware flip (Kudryl, 2023). In this process, the founders and existing shareholders undergo a “share for share” exchange, trading their equity in the home country firm for proportional shares with the same rights in the new Delaware C-corp. The economic ownership of the company will remain exactly the same, but the legal architecture of the enterprise is transformed. For this reason, a Delaware flip does not automatically have to be treated as a full relocation of the firm (Domnick et al., 2026). In many cases, only the legal structure changes, while the location of the company’s main

operations remains the same. A startup may place a parent entity in the U.S. while continuing to keep functions, employees, and operational activity in its country of origin. In fact, research shows that an overwhelming 97% of VC backed startups move abroad to only do so partially, keeping their original domestic operations running for at least a year after the move.

Startups primarily choose to undertake a Delaware flip to attract investment, particularly from U.S. VCs who have a documented preference for Delaware's legal framework (Waisman et al., 2009). U.S. based VC firms actively push for these structural changes because they prefer to keep their investment targets within their own domestic jurisdiction (Domnick et al., 2026). Privately held, early-stage firms are difficult to evaluate and value therefore, where a company is incorporated could play a critical role in mitigating investor uncertainty (Waisman et al., 2009). Delaware addresses this uncertainty by providing a specialized judiciary, called the Court of Chancery, which generates enhanced legal transparency and predictable outcomes. Network effects and path dependence also play a role, as more firms incorporate in Delaware, the volume of case law builds up, making the legal outcomes more predictable (Bainbridge, 2024). Consequently, Delaware law has become familiar to legal practitioners and financial markets, minimizing transaction costs and communicative frictions in dealmaking, making it a safe choice that satisfies standard expectations without requiring extensive comparative legal analysis. U.S. based VC firms therefore frequently make their funding conditional on the startup establishing a parent company in Delaware (Domnick et al., 2026). This preference is further reflected in findings showing that close to 30% of unicorns, privately held startups that have achieved valuations exceeding one billion dollars, relocated their headquarters abroad, and the overwhelming majority to the U.S. This choice is primarily believed to be chosen as a concentration of sophisticated institutional investors back these entities (Alon-Beck, 2025). These financiers actively mandate Delaware as they assess the legal regime to be shareholder friendly, providing predictable safeguards for investors.

Additionally, founders flip to Delaware to optimize eventual exit strategies (Waisman et al., 2009). As VCs seek to maximize their return on investment, Delaware's corporate processes and relatively mild regulations around company takeovers make it easier for companies to go public through IPO or to be acquired by another company. Studies confirm this advantage, demonstrating that VC backed companies incorporated in Delaware not only attract more VC involvement and financing, but also go public faster and achieve higher gross proceeds upon exit compared to companies incorporated outside Delaware (Waisman et al., 2009).

Beyond exit considerations, tax optimization plays a significant role in why companies favor Delaware (Dyrenge et al., 2012). The state's unique tax legislation allows companies to pay significantly less tax than they would in other states, and research suggests that implementing such strategies can reduce a company's overall state income tax burden by 15-24%.

Despite these advantages, the decision to execute a Delaware flip introduces structural, financial, and legal complexities (Kudryl, 2023). Because corporate restructuring becomes more complicated and expensive as firms grow, Delaware flips are typically restricted to early founding rounds such as seed or Series A. The transition itself requires extensive due diligence, requiring founders to secure unanimous shareholder consent, replace existing home country share options with equivalent U.S. options, complex intellectual property (IP) assignments, tax clearances, and manage change of control provisions embedded in existing agreements. Furthermore, the entity after the flip will face dual compliance burdens, exposing the startup to potentially higher U.S. tax rates, transfer pricing complications, and the heightened risk of American shareholder litigation.

2.2.2. Institutional Theory and Path Dependence

Institutional theory explains how organizations gain acceptance and survive by following the established rules, norms, and expectations of their surroundings (Bruton et al., 2010). Rather than viewing organizations as always making rational decisions based on efficiency or competition, this perspective highlights that firms are also shaped by regulatory, social, and cultural influences. As industries develop over time, companies tend to start resembling each other more and more, as they adopt similar structures to signal alignment with the accepted norms (Bruton et al., 2010; DiMaggio & Powell, 1983).

DiMaggio and Powell (1983) call this tendency for organizations to become increasingly similar as institutional isomorphism and describe three main ways it happens. The first is coercive isomorphism, which occurs when organizations face formal or informal pressure by other organizations they depend on, such as governments, resource providers, or broader cultural expectations. The second is mimetic isomorphism, which is driven by uncertainty, where a company reduces risk by copying the structure or behavior of others that are seen as successful or legitimate. The third is normative isomorphism, which stems mainly from

professionalization of the workforce, where shared training, frameworks, norms, and ways of working gradually push organizations within the same field to operate in similar ways.

Institutional pressures may also become self-reinforcing over time. As organizational forms are repeatedly adopted within a field, they become increasingly familiar, coordinated and expected, which makes deviation more costly and conformity more likely (Onufrey & Bergek, 2015).

2.3. The Demand Side: Why Swedish Startups Feel the Pull

Delaware's dominance cannot be separated from the broader appeal of the U.S. startup ecosystem. The U.S. VC market is widely regarded as a global benchmark, underpinned by a long and well-established history of successful VC activity (Weik et al., 2023; Tula et al., 2024). These factors provide an important background for understanding why startups may seek access to the U.S. financing environment, and why legal alignment with U.S. investor expectations becomes relevant.

2.3.1. Venture Capital and Staged Financing

VC refers to a form of financing provided to high-growth companies, typically in early stages of development (Metrick & Yasuda, 2021). VC firms act as financial intermediaries. In other words, they collect capital from institutions or investors such as limited partners, insurance companies, pension funds and universities, and invest these funds directly into portfolio companies (Zider, 1998). Unlike public market investments, VC investments are made in private companies whose shares are not traded on public stock exchanges.

A key characteristic of VC firms is their active involvement in the companies they invest in (Metrick & Yasuda, 2021). In addition to providing financial resources, VCs often take positions on the board of directors and play an active role in monitoring and supporting the development of the firm. This involvement can include strategic guidance, governance, and providing access to valuable networks. VC firms may assist portfolio companies in recruiting talent and connecting them with potential partners or customers. Companies that have such support from VC often have a higher probability of success (Bernstein et al., 2016).

The primary objective of VC investments is to generate financial returns through an exit (Metrick & Yasuda, 2021). This typically occurs either through a trade sale, where the company is acquired by another firm, or through IPO, where the company becomes publicly listed on a

stock exchange. VC therefore focuses on companies with the potential for substantial growth often found in high-technology startups, as successful exits depend on significant increases in firm value. VC investors typically expect annual returns of approximately 25–35 % over the lifetime of an investment. To achieve such returns, investors often aim for a tenfold increase in the value of a successful investment within roughly five years (Zider, 1998). Because most portfolio companies do not achieve such outcomes, VC follows a portfolio logic in which a small number of highly successful investments generate the majority of returns. As a result, only around 10–20 % of the companies in a VC portfolio are expected to become major successes that drive overall fund performance.

VCs typically do not provide all the capital a startup needs upfront. Instead, they employ a mechanism called staged financing, which involves providing capital in rounds (Gompers, 1995). This allows the investors to periodically evaluate the firm's progress, maintain the option to abandon the project, and gather new information. In other words, investors avoid committing excessive capital prematurely (Hsu, 2010). While there are no absolute definitions defining each stage, VC financing is generally grouped into measures of a firm's development, where these can be broadly classified into early, middle, and late rounds (Gompers, 1995). Although a growing company will usually attract investment across several of these stages over time, the majority of VC firms, around 62%, only focus on one single stage of investment (Cabolis et al., 2023; Gompers et al., 2020). Since investing in an early-stage startup requires different skills than investing in a more established company, the way a VC firm distributes its investments tends to reflect what individual partners know and have experience with (Cabolis et al., 2023).

When external capital is first sought, it usually begins with pre-seed financing, which consists of modest capital to help the venture get established and prepare for more substantial fundraising (Parra & Winter, 2022). Following is the seed round, which represents the firm's first major external investment, where the primary objective is market validation and early product development. The seed capital allows the firm to establish proof of concept, verify the market's acceptance of the product, and potentially generate its initial revenues. Once a startup demonstrates clear promise, early traction, and initial user growth, it typically progresses to Series A financing, which involves significantly larger funding amounts aimed at developing the business, continuing product refinement, and enlarging the workforce (Parra & Winter, 2022; Sudaryana et al., 2025). As the firm successfully scales it enters the growth phase, which generally consists of Series B and Series C financing rounds. Companies reaching these stages

have usually survived the highest risk early phases, and now require capital to fund broader global or regional expansion, diversify their product offerings, and enhance their organizational infrastructure (Nazir & Tbaishat, 2023; Sudaryana et al., 2025). Ultimately, the staged financing process leads to the mature stage of the firm’s development, and by this point, VCs shift their focus toward exit strategies, most commonly an IPO, a merger, or an acquisition, to realize the financial returns on their staged investments. Table 1 summarizes these financing stages.

Table 1: Financing Stages

Financing Stage	Phase
Pre-seed	Early, modest capital to get the venture established.
Seed	First major external investment for early product development and market validation.
Series A	Larger funding amounts for business development. When proof of user growth and clear promise is shown.
Series B and C	Growth phase, capital needed to fund expansion, diversify product offerings, and further business development.

This staged, exit-oriented logic is central to understanding the Delaware flip, as the corporate structure of a startup becomes increasingly important as it progresses through successive funding rounds. This is particularly relevant for European founders, as more than four out of five European scaleup deals involve a foreign lead investor, and relocations of EU firms most commonly occur early before undergoing Series C (Fratto et al., 2024). Notably, companies that do relocate tend to show better exit outcomes, with higher rates of both acquisitions and IPOs. Recent findings from the European Commission also highlight that VC backed startups are roughly ten times more likely to relocate their headquarters abroad compared to similar companies without VC funding (Domnick et al., 2026). In this context, incorporating as a Delaware C-corp can reduce legal complexity, align the firm with U.S. VC norms, and facilitate smoother execution of exit strategies such as IPOs or acquisitions. As noted by Waisman et al. (2009), Delaware incorporation is associated with faster and more favorable exit outcomes for VC-backed firms, reinforcing its role not only as a legal choice but as a strategic signal of investment readiness. Consequently, the Delaware flip can be understood as a response to the

institutional requirements embedded within the staged financing model, rather than merely a symbolic or administrative decision.

2.3.2. Political Uncertainty and VC Financing

Political uncertainty may affect startup financing in different ways. Khusnulgatin (2025) finds that political uncertainty can have a positive effect on startup financing, increasing the likelihood of fundraising by 7%, the amount raised by 10%, and reducing the time between financing rounds by 17%. These effects are particularly pronounced for younger and more R&D-intensive startups. In contrast to that, Cannice (2025) interviewed fourteen VC-firms from Silicon Valley where he concludes that political uncertainty often leads to increased caution among investors, resulting in reduced VC activity. However, some respondents indicate that recent geopolitical conflicts, such as those in Ukraine and the Middle East, have had limited impact on the U.S. capital market, which has continued to reach historically high equity valuations. This suggests that startups may, in some cases, remain relatively unaffected by such external shocks. Moreover, political uncertainty can generate tailwinds for certain sectors, particularly those aligned with emerging geopolitical priorities, such as defense technology and artificial intelligence (AI).

At the same time, it introduces challenges, including increased regulatory complexity and uncertainty. These findings indicate that the effects of political uncertainty are not uniform and may depend on how investors interpret and respond to uncertain environments (Chen et al., 2025). Prior research suggests that investor characteristics, such as the degree of political homogeneity within VC firms, can shape decision-making processes. More homogeneous investor groups tend to exhibit narrower thinking and reduced adaptability, which may amplify risk aversion under uncertainty.

2.3.3. SAFE Agreement

To make funding as a startup easier there have been several attempts to make agreements that enable faster deal-closing (Feld & Mendelson, 2019). The Simple Agreement for Future Equity (SAFE), introduced by VC firm Y Combinator in 2013, is a widely used tool for early-stage startup financing (Levy, n.d.; Feld & Mendelson, 2019). A SAFE allows investors to invest in a company today in exchange for equity at a later stage, usually when the company raises a priced funding round. This means that the company's valuation does not need to be decided at the time of the initial investment. Originally, SAFEs were designed as a temporary solution to

bridge small early investments to later funding rounds. However, as startups began raising larger amounts of money earlier, the SAFE evolved. The introduction of the “post-money” SAFE in 2018 made it easier to understand how much ownership investors receive, improving transparency for both founders and investors. SAFEs also make fundraising more flexible, as startups can raise money from investors one at a time instead of closing all investments simultaneously. In addition, their simple and standardized structure reduces legal costs and limits the need for complex negotiations. In essence, a SAFE is particularly useful for early-stage companies with limited track records. It simplifies the fundraising process for first-time founders and early investors, enabling faster access to capital and a greater focus on building the business (The Carta Team, 2025).

Although SAFEs do not cover all possible situations, they are generally seen as an efficient and practical tool for early-stage financing. However, some disadvantages arise using SAFE (Feld & Mendelson, 2019). One example being mentioned as the lack of an explicit pro rata right in the following round. This can be added but then it's not a simple agreement anymore. Also, that there is no maturity date can be seen both as an advantage and disadvantage as well as not deciding the valuation before.

SAFE is an important agreement in the early ventures fundraising process in the U.S. (Ene, 2025). Applying these instruments outside the U.S., however, is not straightforward. In Sweden, the legal framework places mandatory restrictions on how companies can raise external capital and issue shares, leaving limited room for the kind of contractual flexibility that SAFEs rely on (Eliasson, 2017). Because these agreements were designed around American legal and contractual traditions, they do not translate easily into the Swedish legal system, creating uncertainty around how they would be treated in a Swedish court. This means that both investors and founders face added legal risk that already comes with early-stage investing. Europe is being more cautious in adopting SAFE agreements due to the fragmented legal frameworks, but progress is being made (Ene, 2025). As Europe's startup ecosystem evolves the need for such agreements rises. Country-specific agreements have therefore emerged as a way to resemble the SAFE agreements. In Sweden a more flexible fundraising agreement called WISE (Warrant for Investment in Startup Equity) is becoming more known.

2.3.4. Entrepreneurship Culture and Ecosystem Advantages

Entrepreneurial culture is frequently highlighted as an important determinant of regional economic development. Regions with higher levels of self-employment and new business formation tend to experience stronger economic growth, particularly in the long run, as new firms increase competition with incumbent firms and stimulate innovation and structural change (Fritsch & Wyrwich, 2017). Regions with high levels of self-employment in earlier periods tend to maintain higher levels of new business formation decades later, indicating that entrepreneurial culture can act as a long-term resource for regional development. This persistence implies that once an entrepreneurial culture has emerged, it may generate lasting economic benefits. Similarly, Andersson and Koster (2011) conclude that entrepreneurial culture is path dependent. At the same time, it suggests that developing such a culture is a slow process that may require long-term investments in regional capabilities and institutions. A prominent example of this can be seen in the U.S., where a strong innovation ecosystem has developed over time. The early emergence of the U.S. VC market has allowed for a gradual accumulation of capital, expertise, and networks (George & Nathusius, 2007). Together with leading universities and a culture that encourages risk-taking, this has contributed to sustained entrepreneurial activity (Tula et al., 2024).

Structural factors such as education levels, market size, and industrial composition influence the likelihood of entrepreneurial activity, while existing startup activity can further stimulate new firm creation (Andersson & Koster, 2011). This occurs through entrepreneurial learning, role models, and the development of supporting institutions and networks. Together, these dynamics contribute to stable entrepreneurial environments in which regions with historically high startup rates continue to exhibit relatively high levels of entrepreneurial activity over time.

To foster innovation and new business creation policies should focus on long-term ecosystem building, such as education, entrepreneurial networks, institutional support and innovation ecosystems (Andersson and Koster, 2011). However, Gatewood et al. (2014) highlights that since entrepreneurial formation varies across the world the policies must be adjusted to each region's specific environment. Their analysis of the differences in entrepreneurship between Sweden and the U.S. show that in Sweden entrepreneurs are having less media attention and it is not perceived as a high-status career choice compared to the U.S. and conclude that a change of mindset also is important.

Building on the idea that policies must foster entrepreneurial networks, there is a hypothesis that startups' success can be related to networks (Pitt, 2007). Through networks entrepreneurs can obtain resources such as information, knowledge, reputation, customers, financial resources, advice and emotional support and therefore the likelihood of success is assumed to be higher. However, the empirical evidence is mixed, due to that research uses different metrics in success and network scope. Although research shows some positive effects Pitt (2007) concludes that it mainly supports success. The effect depends on several factors such as the entrepreneur's skills and experience, the stage of the startup, the type of network ties and the firm's industry and strategy.

Beyond individual entrepreneurial networks, regional ecosystems can also play a significant role in fostering innovation and entrepreneurial activity. Research on social innovation clusters highlights how geographically concentrated networks of organizations can create environments that support the development and diffusion of innovative ideas. An example of such an ecosystem can be observed in the San Francisco Bay Area, where dense networks between social enterprises, nonprofit organizations, support institutions, and investors have contributed to the emergence of a strong social innovation cluster (Tanimoto & Doi, 2007). In this environment, frequent interaction and collaboration between actors facilitate the exchange of knowledge, resources, and ideas, which can stimulate both entrepreneurial activity and innovation. Over time, these interactions create a supportive ecosystem in which organizations learn from each other, develop new solutions to social problems, and contribute to the broader diffusion of innovative practices beyond the region.

2.3.5. Internationalization Strategies

Traditional research of the multinational enterprise suggests that firms only expand internationally after a long period of domestic maturation and market saturation, but the phenomenon of startups that are international from their inception is increasing (Knight & Cavusgil, 2004). These international ventures are commonly referred to as “born-global-firms” or “international new ventures” and are defined as coordinating resources and seeking competitive advantages across multiple countries (Knight & Cavusgil, 2004; Coviello & Munro, 1997).

For startups operating in the technology-heavy or knowledge-based sectors, launching globally has become a defensive imperative (Coviello & Munro, 1997). If an innovative startup attempts to limit its initial rollout to a domestic market, it signals the value of its concept to international competitors, risking imitation. Consequently, to capture the financial returns of their innovations and secure market share before imitations emerge, these knowledge intensive ventures are pressured to deploy their offerings across international borders immediately. For European founders in particular, the push to internationalize early is reinforced by funding constraints at home (Fratto et al., 2024). European VC investments represent only around 0.03% of GDP, compared to roughly 0.19% in the U.S., making early internationalization not only a competitive strategy but in many cases a financial necessity, as the domestic market cannot provide the capital needed to scale. The decision to launch globally is also facilitated by transformations in the market that make early internationalization feasible (Knight & Cavusgil, 2004). Specifically, the globalization of markets has led to increasingly uniform consumer preferences worldwide, allowing young companies to design for global markets instead of having to adapt to individual domestic ones.

Furthermore, the youth and small size of these startups act as a strategic advantage when deciding to target international markets, as older established organizations often are constrained by domestic routines and administrative heritage (Knight & Cavusgil, 2004). The “born-global-firms” instead begin with a clean slate, granting them the flexibility to embed international routines and a global mindset from the day they are founded. Studies confirm this, showing that relocation is concentrated early in the startup life cycle, with most firms relocating when they are three years old or younger, and the frequency of relocation declining as firms age (Domnick et al., 2026). Research also notes differences across venture types, with asset-light startups appearing more likely to relocate than deep tech firms that depend on costly infrastructure and place-bound resources.

2.4. Friction from the Flip: Regulatory Tensions and Geopolitical Dependence

While the previous sections explain why Swedish startups may be attracted to the U.S. financing environment, incorporation in the U.S. may also expose startups to legal and regulatory tensions. This is particularly relevant when U.S. jurisdiction overlaps with European rules on data protection and control over sensitive information.

As discussed in 2.1 Delaware flip, an entity after a Delaware flip will face dual compliance burdens (Kudryl, 2023). The company becomes exposed to politics beyond their domestic market, which could influence the decision to relocate or not. In relation to that, is how U.S. laws can create tensions with Swedish laws. A current example is CLOUD Act which is a U.S. federal law enacted in 2018 that allows American law enforcement authorities to request access to data from U.S.-based technology and cloud service providers, regardless of where the data is physically stored (Advania, n.d.; Ahmed, 2025; Rojszczak, 2020). This means that data stored in European data centers can still be subject to U.S. jurisdiction if controlled by an American company. As a result, the CLOUD Act creates a legal tension with the General Data Protection Regulation (GDPR), which restricts transfers of personal data outside the EU without appropriate safeguards. This conflict places organizations using U.S. cloud providers in a legally uncertain position, as compliance with one framework may imply a violation of the other. Furthermore, the possibility of non-disclosure orders limits transparency, as companies may be prohibited from informing users about data access requests. These dynamics introduce risks related to data protection, loss of control over sensitive information, and potential breaches of confidentiality, including exposure of trade secrets. Consequently, the CLOUD Act has become a key driver behind the growing emphasis on data sovereignty in Europe. The importance of frameworks to mitigate risk associated with data have increased (Ahmed, 2025).

Furthermore, Farrell and Newman (2019) argue that globalization does not create equal partnerships between countries, but instead form unequal systems where trade and communication flow through a few central points or “hubs”. Because most of these hubs are located in the U.S., they can use its legal authority over them to gain advantage, a practice called weaponized interdependence. The authors claim that countries can use this control in two main ways (i) the panopticon effect, where they collect secret information from the data passing through the hubs, and (ii) the chokepoint effect where they cut off other countries from using these essential global networks. For example, the U.S. has used this power to punish foreign businesses even if those businesses do not operate inside America. These actions have caused major disagreements with European allies, leading the French finance minister to complain that the U.S. should not act as the “*economic policeman of the planet*”.

2.5. Synthesis: Conceptual Framework

To provide an overview of the literature reviewed in this chapter, Table 2 summarizes the key insights of each headline relevant to the study.

Table 2: Summary of Literature Review

Headline	Topic	Summary
The Core Problem	Information Asymmetry in Cross-border Financing	Signaling plays a central role in mitigating information asymmetry and shaping investment decisions, particularly in environments characterized by high uncertainty and limited transparency (Colombo, 2021; Bafera & Kleinert, 2022).
The Institutional Response	The Delaware Flip	Replacing its domestic corporate entity with a US holding company in the state of Delaware, is called a DF (Kudryl, 2023).
	Institutional Theory	Companies tend to start resembling each other more and more, as they adopt similar structures to signal alignment with the accepted norms (Bruton et al., 2010; DiMaggio & Powell, 1983).
The Demand Side	Venture Capital and Staged Financing	VC help startups with capital, networks, mentorship/support and focus on startups with potential for substantial growth, often found in high-tech startups (Metrick & Yasuda, 2021).
	Political Uncertainty	Political uncertainty can have a positive effect on startup financing (Khusnulgatin, 2025).

	SAFE Agreement	Essential agreement in the U.S. for early ventures raising capital (Ene, 2025).
	Entrepreneurship Culture and Ecosystem Advantages	Regions with high levels of self-employment in earlier periods tend to maintain higher levels of new business formation decades later (Fritsch & Wyrwich, 2017).
	Internationalizations Strategies	To expand globally directly is a defensive strategy becoming more popular as it is also easier to do so (Coviello & Munro, 1997; Knight & Cavusgil, 2004).
Friction from the Flip	Regulatory Tensions and Geopolitical Dependence	Cloud ACT overlaps with European laws making it hard for companies to navigate between those (Ahmed, 2025).

The literature suggests that the Delaware flip should not be understood only as a legal restructuring decision. Rather, it can be interpreted as a response to a broader set of drivers, including the attractiveness of the U.S. VC market, institutional pressures to conform to U.S. investment standards, entrepreneurship culture and network access, and early internationalization ambitions. The flip may then influence startup development through several mechanisms, particularly legal compatibility with U.S. investors, signaling and legitimacy effects, and improved access to investor and intermediary networks. At the same time, the literature also points at important trade-offs, such as legal complexity, tax issues, and regulatory tensions. Finally, the literature suggests that easier U.S. funding, improved investor access, greater exit readiness, and stronger access to networks and mentorships may be important outcomes of the flip. Based on this, Figure 1 presents a conceptual framework developed in this thesis, illustrating the suggested main drivers behind the Delaware flip, the mechanisms through which it may influence startups development, and the potential outcomes and trade-offs associated with it.

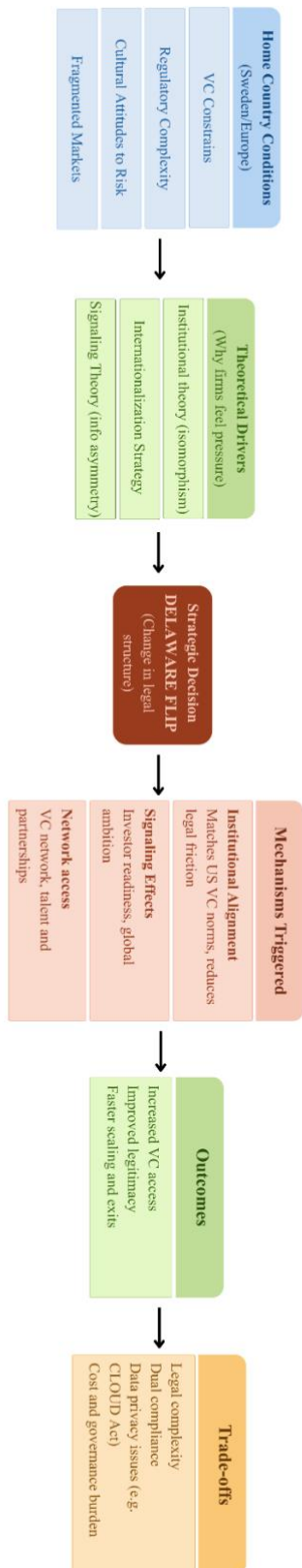


Figure 1: Conceptual Framework

3. Methodology

In this section, the methodology for this thesis is presented and assessed for its relevance. Methods used in this thesis involves a literature review together with collecting empirical data in forms of interviews.

3.1. Methodology Background

This thesis adopted a qualitative research design with the aim of generating new insights and deepening the understanding of differences within the studied phenomenon. While qualitative research is often associated with an inductive approach, this study followed an abductive research logic. Unlike deductive approaches, which focus on testing existing theory, or inductive approaches, which aim to build theory solely from empirical data, an abductive approach allows for the development of new insights through an iterative interplay between theory and empirical observations (Bell et al., 2022).

The study was grounded in an interpretivist epistemological perspective, which assumes that social reality is socially constructed and best understood through the meanings and interpretations of the individuals involved. In line with Bell et al. (2022), the research therefore sought to “*see through the eyes of the research participants*” by capturing how founders, investors, and other professionals in the field perceived and made sense of the studied phenomenon. Empirically, the research was based on semi-structured interviews with founders, investors, intermediaries, and innovation support actors, complemented by a literature review aimed at capturing the historical and theoretical development of the topic. Consistent with an abductive approach, the research process involved a continuous movement between empirical material and theory, allowing emerging insights from the interviews to inform the refinement of the theoretical framework and, in turn, guide further empirical inquiry.

Following the principles of qualitative research design, the study initially sought to identify gaps in the existing literature, which informed the formulation of the research questions guiding the thesis (Bell et al., 2022). These research questions evolved over time as the understanding of the phenomenon deepened. The development of the theoretical framework, the interview guides, and the empirical data collection had to occur partly in parallel. Existing academic literature provided the foundation for the initial interview guide, which was subsequently revised as new insights emerged from the interviews and further literature was reviewed.

The interviews were conducted in a semi-structured manner to allow flexibility and responsiveness to participants' perspectives. As part of the empirical work, the authors travelled to the U.S., specifically San Francisco to gain direct exposure to the entrepreneurial ecosystem and enhance contextual understanding of the phenomenon. Conducting interviews in this setting enabled us to engage closely with participants in their professional context and further supported the interpretivist ambition of understanding the phenomenon from the participants' own viewpoints.

3.2. Theoretical Study

To provide a robust theoretical foundation for this thesis, a systematic literature review was conducted. The review addressed themes that were central to the research questions: (i) the concept and mechanisms of "Delaware flips" and (ii) the structure of VC ecosystems in the U.S. versus Sweden.

Relevant peer-reviewed sources were identified primarily through Google Scholar and Scholar Labs. A predefined set of keywords "Delaware incorporation", "Delaware flips," "relocating," "venture capital," "internationalisation," "startups," and "scaling" guided the search. The resulting review not only contextualized the phenomenon of Delaware flips within the differing VC landscapes of the U.S. and Sweden, but also foregrounded cultural and institutional factors that shape startup relocation decisions. Although the literature review was initiated before the empirical study, it was also conducted partly in parallel with the interviews. The process was iterative, as additional literature was added when new relevant themes emerged during the research process.

3.3. Empirical Study

This section justifies the choice of qualitative interviews as the empirical method and details the sampling strategy used to identify and select respondents.

3.3.1. Interviews

Semi-structured interviews constituted the primary method of data collection in this study, as they are well suited to exploring complex and context-dependent phenomena while allowing flexibility in the research process (Bell et al., 2022). The interviews were initiated at an early stage of the research in line with the abductive approach adopted in this thesis. Beginning the

empirical work early enabled preliminary insights from the interviews to inform the ongoing development of the theoretical framework and research questions, and vice versa.

The interview guides combined a set of more structured questions with more open-ended ones. The structured questions were designed to establish a common understanding of the interviewees' backgrounds, roles, and work processes, thereby ensuring comparability across interviews. In contrast, the more open-ended questions allowed interviewees to elaborate on their own experiences, interpretations, and attitudes toward the studied topic, enabling the emergence of unexpected insights. This balance between structure and flexibility is consistent with the recommendations of Patel and Davidson (2019), who emphasize that semi-structured interviews facilitate both analytical consistency and depth of understanding.

To capture multiple perspectives on the phenomenon, interviews were conducted with four distinct groups of actors: founders, investors, intermediaries, and innovation support actors operating in Sweden and the U.S. Including both entrepreneurial and investor perspectives enabled the study to explore how similar issues are interpreted and assessed by different stakeholders within the entrepreneurial ecosystem, thereby enriching the empirical material and supporting analytical triangulation.

Ethical considerations were addressed throughout the interview process. To encourage openness and honest reflections, all interviewees were assured anonymity, and no identifying information was disclosed in the presentation of the findings. In line with Patel and Davidson (2019), the interviews were conducted in a non-judgmental and respectful manner, with the aim of creating a trusting and open atmosphere. This approach was intended to facilitate honest and reflective discussions. Interview responses were presented in a generalized form rather than attributed to specific individuals or organizations.

3.3.2. Sampling

In line with the qualitative and interpretivist nature of this study, a non-probability sampling strategy was adopted, in which participants were selected intentionally based on their relevance and ability to provide rich insights into the research questions (Bell et al., 2022). Qualitative research typically prioritizes purposive sampling, where cases or individuals are chosen because they are information-rich and offer in-depth perspectives on the phenomenon of interest, rather than to achieve statistical representativeness.

Participants were initially identified through professional networks and outreach on LinkedIn, targeting Swedish startup founders with direct or indirect connections to the U.S. To broaden the sample and reach additional relevant actors, snowball sampling was also applied: interviewees and other contacts recommended further potential participants (Parker et al., 2019). Snowballing was particularly useful in expanding into networks in the San Francisco and Berkeley areas where the authors engaged with the entrepreneurial ecosystem, discussed the project openly, and subsequently identified further founders and investors. Supplementary lists, such as those of Swedish entrepreneurs who have participated in programs like Y Combinator, were also used to identify potential interviewees.

3.4. Validity, Reliability, and Limitations

This section evaluates the quality and robustness of the study by addressing its validity and reliability. It also outlines key limitations that may influence the interpretation and generalizability of the findings.

3.4.1. Triangulation Method

Triangulation was employed as a methodological strategy to enhance the credibility and analytical robustness of the study. According to Bell et al. (2022), triangulation involves the combination of multiple data sources, methods, theoretical perspectives, or contexts to examine a phenomenon from different angles, thereby reducing the risk of systematic bias and one-sided interpretations. In this study, triangulation was primarily achieved through a combination of method and data triangulation, where empirical material from semi-structured interviews was complemented with secondary data in the form of prior academic literature and document studies. In addition, contextual triangulation was applied by conducting parts of the empirical work in the U.S., specifically in San Francisco, a region characterized by a high concentration of entrepreneurial activity and VC. Several of the interviewees were also based in, or had significant professional experience in, this context. Incorporating empirical insights from both Swedish and U.S.-based entrepreneurial environments enabled cross-contextual comparison and strengthened the interpretation of findings. By relating and comparing insights across data sources and geographical contexts, the analysis was both validated through convergence and deepened through the identification and examination of inconsistencies, thereby contributing to a more nuanced understanding of the studied phenomenon (Bell et al., 2022).

3.4.2. Limitations

First of all, the data were collected within a limited and concentrated timeframe, which restricts the study's ability to capture how the dynamics between Swedish startups and U.S. VC firms develop over time. A longitudinal approach would have allowed for a more thorough examination of how decisions and investor relationships evolve across different stages of a startup's development. As a result, the findings represent a snapshot rather than a comprehensive account of these processes.

This study focuses exclusively on Swedish startups navigating U.S. VC funding and Delaware incorporation, which introduces certain constraints in terms of available literature. Much of the existing literature tends to address Europe broadly rather than Sweden specifically, making it difficult to ground findings in a precise national context. Furthermore, the literature on incorporation does not always distinguish Delaware as a destination but instead refers to the U.S. as a whole, which limits the precision with which existing theory can be applied to the specific phenomenon studied here.

The sampling strategy was appropriate for accessing respondents with knowledge in a relatively niche subject. However, it also introduces limitations such as an overrepresentation of actors already embedded in U.S. linked entrepreneurial ecosystems. Since all of the respondents who had completed a Delaware flip had also participated in Y Combinator, their accounts may reflect a particular kind of experience, one shaped by an accelerator environment that actively encourages and facilitates U.S. incorporation. Founders who have gone through this process successfully may be inclined to describe it in predominantly positive terms, as it aligns with the path, they themselves have chosen. This means that more critical or ambivalent perspectives on the Delaware flip may be underrepresented in the material. While this does not invalidate the findings, it suggests that the results should be read as reflecting the experiences of founders who have, to a large extent, already committed to a U.S. oriented growth strategy rather than as a neutral account of the phenomenon as a whole. This may create a selection bias, since startups with weaker networks, more negative experiences, or less interest in the U.S. ecosystem may be underrepresented. Moreover, the sampling method could pose concerns for the study's validity, meaning it could compromise the authenticity, adequacy, plausibility, and overall truth value of the research findings (Lub, 2015). More specifically, the network based, and snowball driven approach may have limited the range of perspectives represented in the material.

The sample of 16 respondents may also raise concerns regarding statistical generalization, which, according to Firestone (1993), relies on probability theory to generalize findings from a sample to a larger population. Therefore, it is important to note that this study aims for analytical generalization, which Firestone (1993) describes as the use of results to provide evidence supporting a broader theory rather than representing a specific population. Consequently, the value of this study lies in the diversity of actor categories and in the depth of insight obtained rather than in numerical representativeness.

While the study includes respondents from both Sweden and the U.S., the number of U.S. and Swedish based investors interviewed remains limited. This means that the perspectives of VC firms, including their criteria for investment, perceptions of Swedish startups, and attitudes toward Delaware incorporation are only partially represented. A broader sample of investors would likely have enriched the analysis and provided a more complete picture of the dynamics studied. Similarly, a notable limitation concerns the sample of founders. Only two interviewees had not pursued a Delaware flip, which limits the study's ability to draw meaningful comparisons between those who incorporated in Delaware and those who did not. Furthermore, all respondents who had completed a flip had participated in Y Combinator, introducing a potential source of bias since Y Combinator participation may itself be a significant driver of incorporation rather than U.S. VC pressure more broadly. It would have been valuable to include more Swedish startups that have achieved substantial success without incorporating in Delaware, as well as founders who pursued a Delaware flip independently of Y Combinator participation. This homogeneity constrains the analytical depth of the study and suggests that the findings should be interpreted with this imbalance in mind.

The findings of this study are not straightforwardly replicable. Bell et al. (2022) explain that qualitative studies may be difficult to replicate, since the data are shaped by the specific interactions between the researchers and respondents, as well as by the interpretive choices made during coding and analysis. Another researcher working with the same material may therefore arrive at different conclusions. In contrast, quantitative studies are generally easier to replicate. While steps were taken to ensure consistency and transparency in the analytical process, some degree of subjectivity is inherent to the qualitative approach and cannot be fully eliminated.

3.4.3. Use of AI

This section was added to ensure transparency regarding the use of AI in the thesis. AI assistants were used as tools to improve wording, clarity, and formulation. All text was originally created by the authors but has in some cases been edited with the help of AI to better convey the clarity of the intended message. The text and sources were carefully checked to identify any hallucinations or misunderstandings from AI. Additionally, AI tools were used to provide feedback on the work, create an initial interview-guide and as mentioned under 2.2 Theoretical study, Scholar labs, an AI-tool, was used to identify relevant academic literature.

4. Empirical Results

This chapter presents the empirical findings of the study, based on the collected data. The results are organized around themes that emerged from a set of codes, highlighting key patterns and insights that emerged from the analysis.

4.1. Respondents

The empirical study is based on qualitative interviews with a total of 16 respondents. To capture multiple perspectives on the research topic, the respondents were selected from four distinct groups: founders, investors, professionals with expertise in Delaware flips (intermediaries) and ecosystem enablers, see Table 3. This categorization enables a broader understanding of the ecosystem rather than one single viewpoint.

Table 3: Respondents

Type	Quantity	Respondents
Founders	8	6 pursued Delaware flip 2 not pursued Delaware flip
Investors	4	3 VC-investors 1 angel investor
Intermediaries	2	1 Lawyer that have helped several clients pursue a Delaware flip 1 who make it easier and cheaper for startups to pursue a Delaware flip
Innovation Support Actors	2	1 supporting Nordic internalisation 1 supporting Swedish innovation

4.2. Thematic Analysis

The thematic analysis resulted in a set of themes, each consisting of several underlying codes derived from the interview data. Table 4 presents an overview of these themes and associated codes.

Table 4: Summary of Thematic Analysis

Theme	Codes	<i>n</i>
Delaware C-corp as an investment standard rather than a strategic driver	It's a condition that needs to be met	7
	Do DF to get access to U.S. investor money	3
	Delaware C-corp make it easier to raise capital in the U.S.	1
	U.S. investors prefer Delaware law	5
	Delaware is practical	6
	Delaware is for investment not making business in the U.S.	1
	Most U.S. lawyers are familiar with Delaware law making it easier to be a Delaware C-Corp	4
	Raised money from us investor with a Swedish AB and sold companies without C-Corp	3
Trade-offs from doing a Delaware flip	DF is expensive and complex	7
	Do the flip early to minimize cost and complexity	4
	Planning to do a DF	2
	Delaware C-Corp is not what matters the most	3
	Don't get investments in Sweden as easy	1
	Delaware C-Corp can hinder from obtaining EU customer	3
The U.S. as a Superior Environment for Startup Financing	More money in the U.S.	9
	More risk appetite in the U.S.	7
	Higher valuations in San Francisco	6
	Everything moves faster in the U.S. than Sweden	2
	Investors have fomo	2

	Location matter (Being in SF)	5
	Stockholm proves good outcomes (such as Legora, Lovable, Klarna and Spotify)	7
	Cheaper to build company in Sweden, expensive with talent in SF	3
Network, legitimacy and signal values	VC signals legitimacy and quality	5
	VC and investors give access to networks	5
	American universities signals more than Swedish ones	1
	DF can be positive signal of that they know what they are doing and what they want	1

4.2.1. Delaware C-corp as an Investment Standard Rather than a Strategic Driver

The interviews have revealed that Delaware C-corp acts as an investment standard rather than a strategic driver. Four founders, one intermediary and one investor have mentioned it as a condition that needs to be met when receiving investments from U.S. investors. Founders who have participated in a U.S. VC firm Y Combinator (hereby shortened YC) say that it is required to do a Delaware flip, although other options apply the most common one is to do a Delaware flip. Among those founders interviewed, six out of eight have pursued a flip because YC required it. The remaining two founders plan to do a flip because they want to raise money in the U.S. and have understood that it might be a requirement or easier to get investors when you have a C-corp. One investor in Sweden tries to normalize incorporating the company in Delaware from the beginning so that companies will be ready for any kind of investment when the time comes. These findings highlight that incorporating a company in Delaware is important to get access to U.S. investor money. However, one founder has raised a small ticket from a U.S. investor although the company is a Swedish AB. In addition, an investor has previously founded a Swedish AB which he sold to an American entity without incorporating in Delaware. Thus, there are examples of Swedish companies that have worked things out without a flip.

The reason for founders to pursue a flip is then, to get access to U.S. investors' money. It is in short, according to one founder, *“easier to get access to the money”* if you have a Delaware C-corp. From an investor perspective they prefer Delaware C-corp because they understand Delaware law and that makes it practical to use. Most U.S. lawyers are also familiar with Delaware law making twists, sales and buy-outs easier to handle. Even though Delaware C-corp is mentioned to be practical, one Swedish investor mentioned that C-corp is more complex while the Swedish AB structure is viewed as easier to manage. An intermediary who works with enabling cheaper Delaware flips also states that Delaware C-corp is for investments not necessarily for doing business in the U.S. Additionally, one investor argues that *“Delaware C-corp is not what matters the most”* and highlights the importance of the founders as an important driver of obtaining investments instead.

In addition to the legal familiarity, the lawyer pointed to a tax related reason that investors prefer the Delaware C-corp, and which according to the respondent is rarely brought up in the broader debate around why companies flip. The respondent referred to Qualified Small Business Stock under Section 1202 of the U.S. tax code, explaining that it allows U.S. investors to realize up to fifteen million dollars in tax-free capital gains when investing in a qualifying C-corp. According to the respondent, this benefit does not apply if the same investor invests in a Swedish company. The respondent further mentioned that the Delaware holding company structure can make certain share transfers tax-exempt as well.

4.2.2. Trade-offs from Doing a Delaware Flip

Continuing the theme of Delaware flip as a requirement and not a strategic driver this thesis further highlight the trade-offs of pursuing a Delaware flip. Six founders, two intermediaries and one investor highlight the cost and complexity of doing a flip. One founder expresses it as *“the top three worst things he has ever done”*, another one says it cost them *“several hundred thousand, plus headache”*. Among those who emphasize the cost and complexity, two founders, one lawyer and one investor highlight the importance of doing the flip early to minimize the costs. A lawyer's words *“There comes a point when the valuation of the Swedish entity has increased too much, making it difficult to transfer assets.”* and *“When companies consider the Delaware flip too late, the resulting tax burden becomes too significant.”*

The lawyer also highlighted the complexity of IP, which can create tensions for U.S. investors *“For U.S. investors, there is a perceived risk in investing in a company where the IP is held in*

Sweden. It generally feels more secure to invest in a company where control over the IP is clearly established.”. An investor also states that “*An investor always wants to invest in the company that owns the IP*”. When doing a flip, you must transfer the equity stakes of existing investors and reassign the rights to the IP. So, often companies create a Delaware C-corp as the parent company who owns all the rights and Swedish AB as a subsidiary. One innovation support actor raised this as a potential concern arguing that Sweden may lose control over strategically important IP when placed under a U.S. parent company. The lawyer states this is a complex process and can’t be done alone and it therefore becomes less complex the earlier you do it as you have less things to consider when doing the flip.

One founder talks about considering doing a reverse flip since they have met some obstacles of having customers in Sweden while being a Delaware C-corp. He says that they still have customers in Sweden, though some prospects need a more extensive evaluation process before committing. It is Cloud ACT that creates tensions GDPR and therefore they have investigated the opportunity to do a reverse flip i.e changing the parent company from a Delaware C-corp to Swedish AB again. Though, the founder says it seems almost impossible to do now. A Swedish investor who often recommends Delaware flip to companies similarly highlights this issue. He recommends doing the flip depending on what industry they are in. For example, he wouldn’t recommend a company in the defense industry because customers’ requirements would probably conflict with U.S. laws such as the Cloud ACT.

4.2.3. The U.S. as a Superior Environment for Startup Financing

Zooming out from the Delaware flip itself this thesis looks at the entrepreneurial ecosystem. All of the interviewees have a connection to the Swedish and the U.S. ecosystem especially San Francisco and Silicon Valley also known as the Bay Area. This theme addresses how the culture in the U.S. might affect the decision to build a company there. In total, nine participants among those founders, intermediaries, investors and innovation support actors stated that there is more money in the U.S. as the reason for startups to seek for success and investors there. An innovation support actor expressed it as “*Silicon Valley has more venture capital than the entire U.S. combined*”. Five founders, one intermediary and one investor also speak about the risk appetite in the U.S. and compare it to Sweden where one is much more careful with investing their money in early ventures. Some argue that it’s a connection between more money in the U.S. and the risk appetite because they can afford to be more riskful. The U.S. have according to one founder a different pay-forward culture where the investors are interested in helping you

directly. Additionally, two interviewees also point out that everything moves faster in the U.S. compared to Sweden. A reason for a pay-forward culture and fast movement in the U.S. can be a result of SAFE-agreement which is explained by three founders as to close deals fast and make the process of raising money easier. One founder express *“It is faster to raise in the U.S., where everyone uses a SAFE, meaning that you receive the money immediately and it converts in the next round, with the terms set in that round.”*.

Since there is more money in the U.S. they are also willing to invest more money to a lower percentage, coming from a founder who said, *“they give more money in the U.S. than in Sweden for the same percentage”*. This affects the valuations of companies to be much higher than what can be seen in Sweden. According to an investor, valuations in Silicon Valley are in another league.

The culture in the U.S. also seems to be a factor of why they have built many successful companies over the years. An investor and innovation support actor emphasizes that people in the U.S. are not afraid of failing, and a failure is not perceived as a bad thing rather a sign that you dared to try. Another respondent connected the attractiveness of the U.S. ecosystem to how uncertainty is interpreted. According to the respondent, political or economic turbulence in Silicon Valley does not necessarily reduce opportunity as capital and experienced investors remain concentrated. Instead, such uncertainty may create openings when other actors become more hesitant. Americans are also talked about as having a very helpful approach, although in contrast to that an investor and innovation support actor speak about Silicon Valley as having a harsh culture, backstabbing tendencies and intense competition. Additionally, five interviewees speak about Sweden as being a more nice and healthy culture. They also emphasize that Sweden has its perks because it is a small country. One founder says that Sweden will never be like the U.S. and we don't have to either because Sweden has other things. Additionally, an American investor says that Sweden is great and mentioned one example of the protection from the government you have in Sweden if you fail that doesn't exist in the U.S.

An investor tries to gather entrepreneurs in Stockholm who have been in Silicon Valley because he has seen many founders *“lose their spark”* when they come back home again. Three founders say that they want to build companies in Sweden because they want to be close to home and the network they have here. It's more peaceful in Sweden and they also highlight the longer burn rate you have in Sweden compared to the U.S. Talent is especially one thing they point to

as being cheaper in Sweden, and might be hard to find in the U.S. Even though there are many talented people in the U.S. Swedish founders don't know them and that makes it hard to evaluate if they will be a good fit for the company or not. In Sweden they often have some kind of connection with people they hire.

It's not hard to argue that being in Silicon Valley matters to get access to their culture, drive and experienced ecosystem. A lawyer stated, *“Some talk about alternatives to Silicon Valley, but for many it's not just about the money it's also about talent and being close to your customer base.”*. Additionally, one investor emphasized differences in board quality between Sweden and the U.S., arguing that *“SF is better because they have 30 years of startups and have seasoned investors and people who have seen it all that can help guide the entrepreneurs.”*. Another innovation support actor tells a story about when she attended a run club and accidentally met the founder of Hotmail. She says this is typical for San Francisco and the bay area, that you bump into very successful and talented people and believe that is what attracts the most.

The founders interviewed who have been in San Francisco highlight that Stockholm has started to draw attention. Four founders, two investors and one innovation support actor mentioned that Swedish founders have also produced many successful companies over the years which has gained more attention from U.S. investors. They mention Legora, Lovable, Spotify and Klarna as examples. Two founders explain a fomo (fear of missing out) game among investors and that since we now have successful examples that raises the interest of Swedish founders. This might also increase the interest of Swedish founders to actually go to the bay area. One founder however state that they want to prove domestic markets first before scaling internationally. An investor also raises the issue of being shamed if you as a Swedish founder would want to build a company in San Francisco, he believes they shouldn't be shamed for that. However, one investor and an innovation support actor emphasize that it's a myth that everything is easy in San Francisco. For example, one investor points out the fact that only 1/10 VC portfolio companies make it.

4.2.4. Network, Legitimacy, and Signal Values

In the background of this thesis, the question was raised whether a company can signal value for the founders by being incorporated in Delaware. It was found from the interviews that Delaware flip, and Delaware C-corp itself is perceived as a weak signal. One investor says that *“Delaware flip can be a positive signal that companies know what they are doing and know*

what they want” but he was the only one saying it could signal anything instead five founders said that VC signals legitimacy rather than a flip. One founder said “*YC gives an opportunity to get more investments*”, another one said “*EQT - have been a door opener, it’s super hard to get EQT as an investor so once you get them it is a quality stamp. It’s magical once you have them on board*”. EQT is a well-known Swedish VC-firm based in Stockholm, the founder also mentions VC firms such as “*Creandum, sequoia and a16z*” that will signal quality if you have them as investors. Another thing VC seem to do except signal a value of quality is given access to network and support. Three founders say the most important thing with being a participant of YC’s program is the network you get afterwards, and that network is important for the founder to build their name. They also state that there is nothing like YC in Europe.

An investor talks about what university you have attended as an indicator of legitimacy and that American universities signal more than Swedish ones. Top-ranked Swedish universities are not widely recognized among U.S. investors, therefore reducing their signaling value.

As pointed out in theme 4.1 *Delaware C-corp as an Investment Standard rather than a Strategic Driver*, the most important thing is who the founders are even though signals might help it is, at the end of the day, still the founders who must sell their idea and excitement to build the company to investors.

4.3. Summary of Empirical Results

The empirical findings reveal four overarching themes that together explain why Swedish startups pursue a Delaware flip and the outcomes this structure enables. The interview material shows that the Delaware flip was rarely described as valuable in isolation. Rather, respondents framed it as part of a broader U.S.-oriented startup and fundraising logic, where legal structure, investor familiarity, signaling, and market access interact. Founders consistently framed the decision as a precondition imposed by U.S. investors rather than as an active, internal strategic choice. From the investors’ perspective, this structure is mandated because it offers practical legal familiarity, predictability, and specific tax related advantages, such as the Qualified Small Business Stock exemption.

Despite its necessity for U.S. fundraising, the findings reveal that the flip introduces significant trade-offs. Respondents emphasized considerable financial costs, legal complexity, and dual compliance burdens associated with restructuring. Timing also emerged as a critical factor, as

the process becomes increasingly complex and expensive as the startup grows, accumulates IP, and increases in value. Furthermore, the flip can create regulatory tensions, such as exposure to the U.S. Cloud Act, which founders and investors identified as a potential obstacle for retaining European customers, particularly in highly regulated sectors like defense.

Beyond the legal structure, the findings underscore the pull of the U.S. startup financing environment. Stakeholders across all groups described the U.S., and Silicon Valley in particular, as an ecosystem offering greater capital availability, higher risk appetite, and significantly higher valuations compared to the Swedish market. Fundraising is accelerated by tools like SAFE agreements and is supported by a cultural attitude that frames failure as a natural part of entrepreneurship. However, responders warned against an overly idealized view of Silicon Valley, pointing to its intensely competitive culture and the reality that only a small fraction of VC backed companies achieve major success.

Finally, the data indicates that the standalone signaling value of a Delaware flip is limited. While the legal structure reduces operational friction in investor dialogues, it does not act as an independent signal of startup quality or credibility. Instead, legitimacy and access to valuable networks are primarily achieved through established investor relationships, prestigious accelerator programs, and personal connections, rather than the corporate legal structure.

5. Discussion

The discussion analyzed the findings from the empirical study with insights from the literature review. It also highlights sources of bias and suggestions for future research.

5.1. Why Swedish Startups Choose to Pursue a Delaware Flip

The first research question addresses why Swedish startups choose to pursue a Delaware flip and will be answered together with RQ2 in 5.3 Discussion summary. In short, the empirical findings suggest that the decision is largely influenced by investor expectations, and the institutional norms embedded within the U.S. ecosystem.

5.1.1. The Delaware Flip as an Outcome of Institutional Pressures

The findings indicate that the Delaware flip is widely described as a precondition for accessing U.S. investor capital, where investors explicitly require founders to flip prior to investment. Organizations therefore gradually grow more and more similar over time and align with all three forms of institutional isomorphism as described by DiMaggio and Powell (1983).

A first way to understand this prevalence is through the structural pressure applied on founders by the institutional environment surrounding the U.S. VC ecosystem. DiMaggio and Powell (1983) describe this dynamic as coercive isomorphism, where organizations are pushed toward similar forms by the demands of the actors they depend on. It was found that YC explicitly required the flip as a precondition for investment, and that founders consistently described the decision as something they faced rather than actively chose. However, this requirement does not appear to originate from only YCs themselves, but from a wider network of actors whose practices, expectations, and operational routines are already calibrated around the Delaware C-corp, including VCs, lawyers, courts, and other intermediaries on whom VCs in turn depend. One could therefore argue that founders sit at the bottom of a layered dependency, where they depend on VCs for capital and VCs depend on the surrounding legal and financial infrastructure, illustrated in Figure 2.

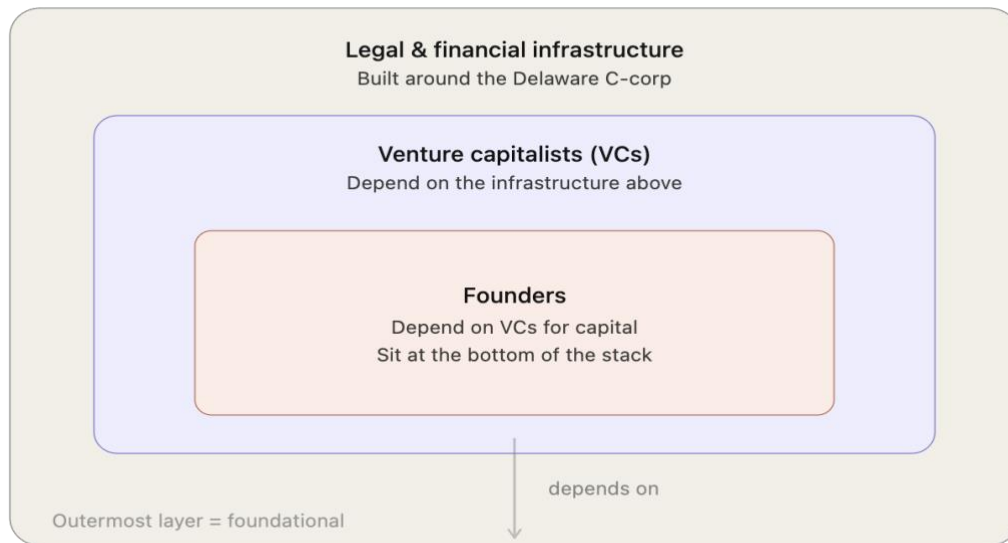


Figure 2: Layered dependency in the U.S. VC ecosystem

This may make the preference for Delaware difficult to resist and help explain why the flip is experienced less as an active strategic choice and more as a structural condition for participation in the U.S. VC market. Yet, framing the Delaware flip purely as an institutional pressure risk overlooking its strategic value. Incorporation in Delaware may still serve the founder's long-term interests. By aligning with U.S. legal standards early, startups position themselves more favorably for future funding rounds, where Delaware compatibility is not only expected but often assumed. Furthermore, the higher valuations associated with U.S. capital markets suggest that founders who comply with this institutional requirement may benefit substantially in terms of growth trajectory and exit outcomes. It is also worth noting that the companies being pushed toward Delaware incorporation are rarely random. Investors such as YC apply selective admission criteria, meaning that the startups entering this process are already identified as high-potential ventures. In this sense, the coercive pressure and the strategic benefit are not mutually exclusive. Founders may be pushed into a structure that, given their growth ambitions, they would likely have chosen anyway.

However, continuing on mimetic isomorphism where organizations under uncertainty tend to imitate successful peers, the Delaware structure also gains traction by proving a sense of predictability under conditions of uncertainty (DiMaggio & Powell, 1983). Several respondents highlighted that the Delaware C-corp is associated with investor readiness in a broader sense, and the empirical material suggests that incorporating in Delaware reduces uncertainty because

it is objectively superior, already known, recognized, and repeatedly associated with successful VC backed firms. In this sense, the Delaware C-corp may be understood as a safe organizational choice. This reflects a broader pattern identified in the literature, where successful startups serve as role models that reinforce entrepreneurial practices and contribute to path dependency within the ecosystem (George & Nathusius, 2007; Lerner & Tåg, 2013).

The dominance of Delaware incorporation is reproduced through professional standards and shared expertise within the U.S. legal community, aligning with normative isomorphism (DiMaggio & Powell, 1983). The respondents' repeated emphasis on lawyers' familiarity with the Delaware framework suggests its prevalence is rooted in accumulated professional knowledge that simultaneously reduces transaction costs across contracting, due diligence, governance, and conflict resolution, while making deviations appear misaligned with prevailing professional practices. As Onufrey and Bergek (2015) argue, repeated adoption of an organizational form causes it to become the expected standard, yet this self-reinforcing dynamic appears actively shaped by Delaware itself. Through institutions such as the Court of Chancery and a deep accumulation of corporate case law, Delaware has continuously adapted its legal framework to the needs of the U.S. VC ecosystem, meaning its path dependency is not merely a product of historical adoption, but an outcome it actively reproduces (Bainbridge, 2024).

5.1.2. Capital, Valuations and Ecosystem Pull

Yet what makes founders cave in to the institutional and path dependent pressures is the underlying capital depth of the U.S. VC market itself. This view was expressed through all interviewed stakeholder groups, indicating a shared view on the U.S. as a market where capital is more available and easier to access than in Sweden, pointing to Silicon Valley in particular as a market where VC is unusually concentrated. This perspective is further reinforced by the observation that those respondents who had not yet flipped expressed an intention to do so once their companies reached a stage where U.S. capital became needed, corresponding with Fratto et al. (2024), who note that internationalization in many cases becomes a financial necessity, as the European domestic market cannot provide enough capital to scale. The capital intensity found in the U.S. also explains the valuations which are shown both empirically and scholarly to become much larger than in Sweden (Waisman et al., 2009). Pointing to a so-called Delaware effect, described in the background under *1.2.1 Delaware Law*, where Delaware-incorporated firms not only attract more VC funding and undergo more financing rounds, but also achieve faster and more valuable exits through IPOs and M&A. The empirical findings in this study

align with this pattern, as respondents described higher valuations and greater capital availability as motivations for pursuing a flip. In this sense, the Delaware effect may help explain not only why the structure is preferred by U.S. investors, but also why founders are willing to absorb the costs and complexity of restructuring in order to access it.

Importantly, capital availability did not appear in the findings as an isolated factor. Respondents also linked the higher valuations to risk appetite, while Swedish investors were described as more cautious when investing in early-stage ventures. American investors were found willing to invest larger amounts for smaller equity shares, which Swedish investors are usually unable or unwilling to match. Cases where Swedish companies such as Legora and Lovable reached significantly higher valuations once they engaged with U.S. capital were mentioned.

However, the empirical findings itself complicates this picture, where respondents emphasized that the broader image of Silicon Valley as a place where success comes easily is partly a myth, pointing to the fact that only a small share of VC backed companies actually succeed. This aligns with Zider (1998) who points out that VCs only expect 10-20% of their portfolio companies to be major successes. Additionally, respondents described the cultural environment surrounding the U.S. VC as intense and highly competitive. The broader image of the U.S. VC ecosystem as an environment in which success comes easily may therefore hide the more demanding realities that founders encounter once they enter it. Despite that, the cultural environment of the U.S. VC ecosystem also appears to be attractive features for Swedish founders because they not only get access to capital. Respondents described a sense of urgency tied to this environment, where the rapid pace of funding and scaling creates a fear of missing out (fomo) for investors if not engaging early. Furthermore respondents, in line with George and Nathusius (2007), also emphasized that failure in the U.S. is not associated with the same degree of shame as in Sweden, but rather interpreted as evidence of having dared to try. One might argue that this fast-fail logic and fomo-game is not only a cultural attitude but also a structural feature of the U.S. VC ecosystem, where the willingness of investors to commit capital quickly, the use of lightweight contractual instruments such as SAFE, and the broader tolerance of unsuccessful ventures all rest on the assumption that failure is an expected and acceptable part of the process.

5.1.3. Strategic and Structural Implications for the European Ecosystem

The findings further point to a broader structural tension beyond why individual startups pursue a Delaware flip. Since U.S. investors prefer investing in the entity that owns the IP, strategically

important assets are often moved under a U.S. parent company. If this pattern continues, Europe risks a gradual transfer of innovation ownership to the U.S. As Farrell and Newman (2019) argue, economic integration can create asymmetric forms of control rather than neutral interdependence. In this context, repeated Delaware flips may gradually weaken European ownership over strategically important innovation.

At the same time, the Delaware flip may also benefit European investors. Several respondents argued that encouraging startups to incorporate in Delaware early can position them to access larger U.S. funding rounds later on. As U.S. investors deploy more capital at higher valuations, early European investors can achieve stronger returns than would likely be possible in a purely European funding environment. Respondents and Fratto et al. (2024) also highlighted the difficulty of raising larger later-stage rounds in Europe. The findings also suggest that mechanisms such as Qualified Small Business Stock (QSBS) provide significant tax advantages for investments in Delaware C-corps, advantages that do not exist for Swedish or European entities. Therefore, this implies that competing with Delaware would require more than legal harmonization; Europe would also need financial incentives capable of attracting capital in similar ways. In this sense, the Delaware flip may simultaneously reflect Europe's structural weaknesses and serve as a mechanism that helps strengthen the European VC ecosystem over time. A more pragmatic strategy may therefore be for Europe to participate in the U.S. ecosystem rather than compete directly with it, allowing startups to access U.S. capital while European investors benefit from stronger returns and ecosystem development.

Although, an important distinction exists between investment returns and value capture. Even if European early-stage investors achieve strong multiples that may strengthen the European VC market over time, U.S. growth investors often capture a larger share of the absolute financial upside because they invest larger amounts and hold more ownership at exit. As a result, governance influence, IPO infrastructure, and long-term control may still increasingly shift toward the U.S. However, the findings suggest that most founders who pursue a Delaware flip continue operating from Sweden, keeping talent, engineering, and networks locally embedded while accessing U.S. capital markets. This could in turn strengthen the Swedish and European entrepreneurial ecosystem. In addition, successful founders later might reinvest capital and experience back into European ecosystems, and the long-term benefits may extend beyond direct VC returns.

At the same time, these potential ecosystem benefits are not guaranteed. If ownership structures, later-stage capital, acquisitions, and IPO routes remain U.S.-centered, both financial gains and strategic control may gradually move abroad. The Delaware flip should therefore not be viewed as a permanent solution, but rather as a bridge strategy. Its long-term value for Europe depends on whether talent, capital, and knowledge remain locally anchored while Europe simultaneously develops stronger later-stage funding markets and more competitive ecosystems. This also suggests the need for a differentiated European approach. For startups in non-strategic sectors, Delaware flips may be a pragmatic way to access U.S. capital and generate returns that strengthen the European ecosystem over time. For strategically sensitive sectors, however, retaining domestic ownership and control over IP may be more important from a long-term competitiveness and sovereignty perspective.

5.1.4. Limitations and Timing of the Delaware Flip

CLOUD Act, which highlights potential data jurisdictional asymmetries between the U.S. and Europe reflect challenges that need to be addressed by founders before deciding on a flip (Ahmed, 2025). As noted by respondents and Kudryl (2023), maintaining entities in both Sweden and Delaware creates dual regulatory exposure, thereby increasing complexity and governance costs. The relevance of these considerations appears to vary across industries, as firms with stronger dependence on locally embedded assets or regulatory environments may face greater constraints in relocating key functions or IP. In one case, these challenges have led a founder to consider a reverse flip, although this was described as both legally and operationally difficult. The founder's main challenge was acquiring customers within Sweden and Europe and a concern about how it can affect them once they grow. Since the U.S. has the right to compel user data, potential customers might be hesitant. Similarly, a Swedish investor highlights that doing a Delaware flip is not for everyone but depends on factors such as type of industry. This suggests that the Delaware flip should not be understood as a universally beneficial solution for all Swedish startups. Rather, the findings indicate that its value is highly dependent on context. For some startups operating in regulated industries, serving customers with strict data requirements, or developing strategically sensitive technologies, a U.S. parent company may therefore become a liability instead of an advantage. This is further reflected in the view of one Swedish investor who generally recommends Delaware flips but emphasized that the decision must depend on the company's industry.

Interestingly, although Delaware is shown to remove friction when raising capital in the U.S., the results also suggest that Swedish companies have managed to raise U.S. capital and exit without first incorporating in Delaware. One founder raised a small ticket from a U.S. investor while being Swedish AB but are considering Delaware C-corp once they open up for bigger rounds with American investors. Although these represent a minority of the studied examples it shows that Delaware is not the only option when raising capital in the U.S. Two founders who have waited with pursuing a flip emphasize that they want to prove domestic markets first before scaling internationally. While born global firms are increasing, traditional internationalization strategies usually prove domestic markets first (Knight & Cavusgil, 2004).

This, therefore, raises the question that the Delaware flip is not only a question of whether to align with U.S. investor expectations, but also when it should occur. If U.S. capital is central to the startup's growth strategy, both the literature and empirical findings indicate that the flip should generally be considered early, as the process becomes more complex as the company grows (Kudryl, 2023). Respondents also suggest this by emphasizing that late flips may create significant tax burdens and complicate the transfer of assets, particularly IP. Young firms may also have greater flexibility when developing international routines than older domestic ones (Knight and Cavusgil, 2004). Therefore, while delaying the flip may be strategically reasonable for companies that first want to validate domestic markets, waiting too long may also increase the legal and financial friction of restructuring later.

5.2. The Role of Delaware Incorporation in Accessing U.S. VC Ecosystem

The second research question addresses the mechanisms through which the Delaware flip affects access to U.S. VC networks, mentorship, and the signaling value of corporate structure. The empirical findings in this study suggest a more nuanced relationship than a direct causal effect, rather, the Delaware flip operates as a necessary but insufficient condition within a broader ecosystem of network access and signaling.

5.2.1. Access to U.S. VC Networks and Mentorship

The findings suggest that a Delaware flip plays a limited but indirect role in accessing U.S. VC networks and mentorship. Prior research emphasizes the importance of networks for entrepreneurial success, as they provide access to critical resources such as knowledge, capital, partners, and talent (Bernstein et al., 2016; Pitt, 2007). In the U.S., these networks are deeply

embedded within a mature innovation ecosystem characterized by dense connections between VC firms, universities, and entrepreneurs (George & Nathusius, 2007; Tanimoto & Doi, 2007). Importantly, access to such networks is typically facilitated through actors already embedded within them, particularly VC firms and accelerator programs.

The empirical findings align with this perspective. Respondents highlight that access to networks is primarily enabled through VC involvement and participation in well-established programs such as YC, rather than through the adoption of a Delaware C-corp structure. Investors such as YC, EQT, Sequoia, and A16Z are described as “*door openers*,” and participation in those is perceived as particularly valuable due to the network effects generated after program completion. This suggests that the Delaware flip does not provide network access directly, but it may reduce friction when engaging with U.S. actors. Its role could therefore be understood as indirect, by making the startup compatible with investors, accelerators and other actors that require or strongly prefer a Delaware C-corp structure. The flip may help the startup enter settings where resources such as relationships, experienced mentorships, and strategic support become accessible.

Additionally, the empirical results show that being in San Francisco and specifically the Bay Area is considered to be valuable if one would want to build its network. Partly because Americans are perceived as open and helpful, and partly because of the concentration of successful people being there. As shown in the results some founders state that YC is exceptional, and similar VC doesn’t exist in Europe. This indicates that network access is relational and dependent on affiliation with high-status actors, rather than determined by legal structure. However, this doesn’t undermine the fact that several respondents in this thesis also talk good about Sweden. For example, they highlight the Swedish system, network, and talent as stronger and sometimes easier to access, and several respondents express that they preferred to build their companies in Sweden rather than in the U.S. This preference for building in Sweden may also be related to the current political tensions between the U.S. and Europe, which can make the U.S. appear less predictable as a long-term environment for some founders. On the other hand, one respondent argued that uncertainty in the U.S. does not necessarily reduce opportunity, but instead suggested that periods of political or economic turbulence may create openings. This as some actors become more hesitant, while capital and experienced investors remain concentrated in Silicon Valley. Khusnulgatin (2025) further supports this interpretation by arguing that political uncertainty can have a positive effect on startup financing. Similarly,

Cannice (2025) finds that recent geopolitical conflicts have had limited impact on the U.S. capital market, further strengthening the view that uncertainty may coexist with continued capital availability and entrepreneurial opportunity.

Beyond facilitating access to networks, VC involvement also provides ongoing mentorship and strategic support. VCs contribute not only capital and networks, but also advisory support based on accumulated experience from scaling multiple ventures, which is particularly pronounced in the U.S. ecosystem (George & Nathusius, 2007). This form of mentorship may include guidance on strategic decision-making, hiring, governance, and market expansion, as well as introductions to relevant partners and customers. This was further illustrated by one investor's observation that strong startup boards are less common in Sweden, while board work is treated as highly important in the U.S. ecosystem. Bernstein et al. (2016) study shows that ventures with such support have a higher probability of success. The empirical findings further support this view, as respondents described U.S.-based investors and programs as actively engaged in the development of their portfolio companies, offering both hands-on support and access to experienced operators. In this sense, the value of accessing VC networks extends beyond relational ties, as it also involves the transfer of knowledge, experience, and strategic capabilities that can accelerate firm growth.

A Delaware flip appears to function as a facilitating condition rather than a driver of network and mentorship access. By aligning the firm with U.S. legal and institutional standards, it may reduce barriers to engaging with U.S.-based investors and ecosystems. It does not independently grant access to VC networks, nor does it substitute for the credibility and connections established through reputable investors or programs.

5.2.2. Signaling Effects

The analysis suggests that pursuing a Delaware flip function as a relatively weak signal compared to other, more influential signals such as VC involvement. This interpretation aligns with signaling theory as described by Colombo (2021) and Bafera and Kleinert (2022), who noted that signaling plays a central role in mitigating information asymmetry, particularly in environments characterized by high uncertainty and limited transparency. The Delaware flip reduces information asymmetry by demonstrating willingness to comply with U.S. legal norms, it signals that the startup is investment ready, has adapted to U.S. VC market standards and is prepared to scale.

In another take, while the Delaware flip is often framed as a response to U.S. investor requirements, it may be suggested to be viewed as a positive signal by European VCs. Prior research indicates that European investors tend to prioritize ventures with strong professional management and the capacity to scale across international markets (George & Nathusius, 2007). In this context, pursuing a Delaware flip may function as a signal of such ambitions, indicating that founders are not only oriented toward global expansion but are also actively positioning the firm to access larger and more dynamic capital markets.

However, it is not perceived as a strong signal by the empirical findings because it has become a requirement, institutional isomorphism has reduced its distinctiveness as a signal. As one investor noted, highlighting that investor quality and founder capabilities matter more. Stronger signaling effects stem from affiliation with reputable actors. Participation in programs such as YC was described by founders as conferring legitimacy and serving as a quality stamp. This aligns with prior research, which highlights that VC investment signals quality due to the extensive due diligence conducted before funding decisions (Bafera & Kleinert, 2022; Baik & Shin, 2025). Importantly, the strength of this signal varies depending on the VC firm. Well-established firms provide stronger credibility than lesser-known ones.

The comparison between U.S. and Swedish signaling further illuminates this. Educational background can function as a signal, particularly when founders are affiliated with globally recognized institutions. Top U.S. universities tend to carry stronger signaling value than Swedish universities, which are less widely recognized internationally. An observation that reflects the broader literature on institutional legitimacy. In the context of this study, the Delaware flip may provide a similar function, not by signaling quality directly, but by aligning the startup with a familiar and trusted institutional framework that U.S. investors can evaluate against their familiar reference points.

Consistent with the empirical findings, the Delaware flip itself is not a primary determinant of perceived quality. Rather, investors place greater emphasis on the founders. In early-stage fundraising, investors actively search for signals that reduce uncertainty, focusing on factors such as prior achievements, motivation, and personal credibility. They often rely on interpersonal impressions to evaluate founders, suggesting that who the founders are can be more influential than both the idea and structural choices such as a Delaware flip. This finding

stands in partial tension with the signaling literature, which suggests that VC investors, unlike angel investors, tend to place greater emphasis on structured and verifiable signals such as human capital, technological competence, and affiliations with reputable actors, rather than relying primarily on interpersonal impressions (Colombo, 2021; Busenitz et al., 2005).

5.3. Discussion Summary

To summarize the discussion the research questions that have guided this thesis are answered in short down below.

RQ1: Why do Swedish tech startups choose to pursue a Delaware flip?

Swedish startups primarily pursue a Delaware flip to gain access to the U.S. VC ecosystem, where Delaware incorporation has become an institutionalized investment standard rather than a strategic value creator in itself. The findings indicate that the decision is largely driven by investor expectations, legal familiarity, and ecosystem norms. This is reinforced by the attractiveness of the U.S. entrepreneurial environment in terms of capital availability, higher valuations, strong networks, and a greater tolerance for risk. The findings further suggest that the benefits of a Delaware flip must be weighed against its disadvantages. Pursuing a flip can increase legal and organizational complexity by operating across multiple jurisdictions and may involve significant financial costs. In some industries, it may also create challenges within the European market, for example by affecting customer trust or alignment with EU-based operations. The suitability of a Delaware flip therefore depends on the startup's industry, growth ambitions, investor strategy, and target market.

RQ2: In what ways does a Delaware flip influence entrepreneurs' access to the U.S. VC networks, mentorship opportunities, and signaling effects?

Pursuing a Delaware flip does not automatically provide startups with access to all the advantages associated with the U.S. entrepreneurial ecosystem. While incorporation as a Delaware C-corp may reduce friction with American investors and is often required by prominent U.S. VC firms and accelerators such as YC, the flip itself appears to have limited standalone signaling value. Instead, stronger signals are created through association with reputable investors and networks.

At the same time, the thesis highlights that startups which successfully gain access to the U.S. ecosystem may benefit from strong investor networks, experienced mentorship, and greater access to capital. However, the findings also show that valuable support, mentorship, and entrepreneurial networks exist within Sweden, and several respondents emphasized the advantages of building companies within the Swedish ecosystem.

5.4. Reframed Conceptual Framework

Based on the empirical findings and discussion, the initial conceptual framework, presented in section 2.5 *Synthesis: Conceptual Framework*, was revised to better reflect the decision-making logic surrounding the Delaware flip. In the original framework, trade-offs were positioned after the Delaware flip, suggesting that the legal complexity, tax issues, dual privacy laws, and cost mainly appear as consequences once the flip has already been carried out. However, the empirical findings indicate that these trade-offs should instead be assessed before the decision is made. The updated conceptual framework was therefore created and is presented in Figure 3.

This revision is motivated by the finding that the Delaware flip is not a universally beneficial solution for all Swedish startups. While the literature and empirical findings emphasize that Delaware incorporation may reduce investor uncertainty and align startups with U.S. VC expectations, the empirical material also shows that these benefits are context dependent. Respondents highlighted that the flip could introduce costs, tax burdens, legal complexity, IP transfer issues, and dual compliance requirements. In addition, the findings reveal that U.S. jurisdiction can create tensions for startups serving European customers, especially in regulated sectors or industries where data control and confidentiality are central, such as defense.

Placing trade-offs before the decision therefore emphasizes that the decision to pursue a Delaware flip should be preceded by an evaluation of whether the structure is appropriate for the specific company. This evaluation should include assessing the company's industry, customer base, regulatory exposure, IP ownership, fundraising strategy, and dependence on U.S. VC. For some startups the Delaware flip may reduce friction and function as an enabling structure. For others, the same structure may create barriers rather than advantages.

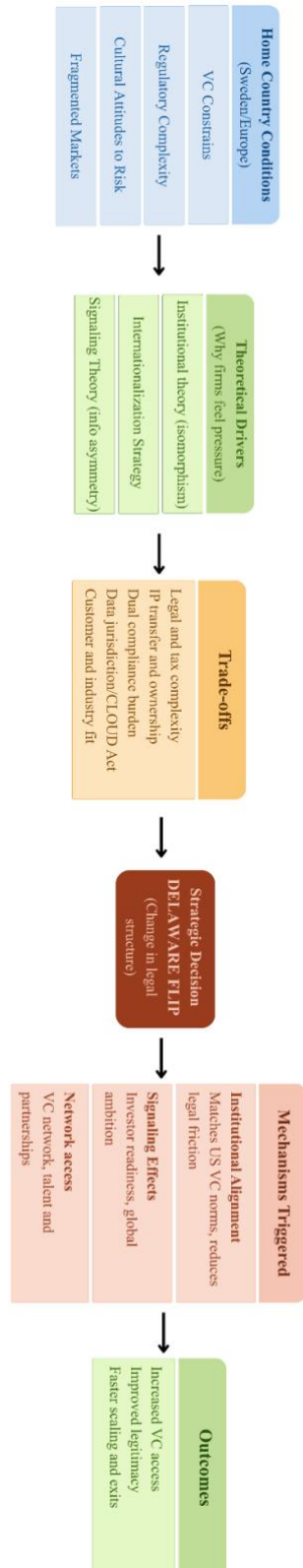


Figure 3: Updated Conceptual Framework

5.5. Sources of Bias

In the analysis, it became apparent that the findings regarding the importance and perceived benefits of the Delaware flip should be interpreted with some caution. A majority of the interviewed founders had participated in YC or had strong ties to the Silicon Valley ecosystem, which likely shaped how they perceived the value and necessity of a Delaware C-corp structure. Their perspectives were therefore influenced by environments where Delaware incorporation is highly institutionalized and often expected as part of the startup journey.

This observation also highlights the possibility that the perceived advantages of the Delaware flip may partly reflect the norms, experiences, and networks associated with the Silicon Valley ecosystem itself, rather than the legal structure alone. To develop a more balanced understanding of the Delaware flip and its strategic importance, future research could benefit from including a broader range of perspectives, particularly from successful founders who have chosen not to pursue a Delaware flip. In addition, interviewing a wider set of innovation support actors, startups, investors, and entrepreneurial hubs within Sweden could provide deeper insights into the strengths and opportunities offered by the Swedish ecosystem, as well as alternative pathways for startup growth and internationalization.

Several directions for future research also emerge from the discussion itself. First, this study focuses on a snapshot in time, and a longitudinal study tracking startups before and after a Delaware flip would provide a more complete picture of how the decision affects firm development across different growth stages. Second, the tension between U.S. jurisdiction and European regulatory frameworks, particularly regarding data sovereignty and the CLOUD Act, deserves deeper investigation, especially as geopolitical relations between the U.S. and Europe continue to evolve. Third, the broader implication raised in this thesis, that Delaware flips may simultaneously risk transferring IP ownership away from Europe while also strengthening European VC returns, represents an underexplored area for potential European VC market growth, and one that could have meaningful implications for how European policymakers approach startup regulation and ecosystem development.

5.6. Contribution to Existing Literature

This thesis contributes to existing literature in several ways. First, while prior research has examined the dominance of the U.S. VC ecosystem and documented effects associated with

Delaware incorporation, limited work has specifically explored why Swedish tech startups pursue a Delaware flip. By centering the perspectives and strategic reasoning of Swedish founders, this thesis adds a qualitative empirical dimension to the phenomenon that existing studies largely focused on relocation patterns and quantitative trends have left underexplored.

Second, the thesis examines what the Delaware flip provides access to in practice. The findings suggest that incorporation alone does not automatically unlock U.S. capital or networks, but rather functions as an enabling condition or institutional prerequisite for participation in the U.S. ecosystem offering a more grounded understanding of the relationship between legal structure and ecosystem access than prior signaling-focused research.

Third, the thesis contextualizes the Delaware flip within broader structural differences between the Swedish and U.S. entrepreneurial environments, expanding its understanding from a narrow legal decision to a broader strategic and institutional choice shaped by perceived differences in funding conditions, investor depth, and exit opportunities.

5.7. Practical Implications

This thesis contributes with practical implications by translating its findings into a simple decision-support tool in the form of an interactive website. The tool guides founders through a structured set of questions to assess whether a Delaware flip is appropriate given their specific context, thereby supporting more informed and context-dependent strategic decisions. The Delaware flip decision-tool is found in *Appendix II*.

Basically, the webpage that was built is composed of a set of questions that the user presses through to find out whether a Delaware flip is appropriate or not in the founder's current situation. The recommendations provided in the webpage are based on what the findings in this thesis and should be viewed as general recommendations. To further understand if a flip is beneficial or not for a certain company the founders themselves must investigate it themselves.

6. Conclusion

This thesis set out to investigate why Swedish tech startups pursue a Delaware flip and how this decision influences their access to U.S. VC networks, mentorship, and signaling effects. The findings suggest that the Delaware flip is rarely a proactive strategic choice, even though it benefits them once they grow globally. Instead, it functions as an institutionalized precondition for participation in the U.S. VC ecosystem, driven by investor expectations, legal familiarity, and the structural depth of American capital markets. Swedish founders interviewed in this thesis who have pursued the flip do so primarily because U.S. investors require it, and because the capital availability, valuations, and ecosystem density of Silicon Valley offer advantages that the Swedish and European markets currently cannot match. This raises a bigger question of how Europe should retain IP in the long run which is suggested for future research.

At the same time, the findings reveal that Delaware incorporation alone generates limited standalone value. It reduces friction and enables access, but it does not independently signal startup quality or unlock networks. Stronger legitimacy signals come from affiliations with reputable investors and accelerator programs such as YC. The flip should therefore be understood as a necessary but insufficient condition, a piece of a broader strategic positioning toward the U.S. ecosystem. Notably, most founders continued to operate from Sweden after incorporating in Delaware, keeping talent and operations locally anchored while accessing U.S. capital through the Delaware parent structure. For many Swedish startups, the choice is therefore not between Sweden and the U.S., but rather how to combine the strengths of both.

The trade-offs associated with the flip are also significant and context dependent. Legal complexity, dual compliance burdens, IP transfer challenges, and exposure to U.S. jurisdiction through frameworks such as the CLOUD Act introduce risks that are particularly pronounced in regulated industries and for startups serving European customers. These findings suggest that the Delaware flip is not a universally appropriate solution, and that timing and industry context matter considerably in evaluating whether to pursue it.

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Appendix I – Interview Guides

Here follows interview guides for the different types of respondents that were used during interviews.

Founders

1. Background: the company and the founder
 - a. Can you briefly describe your background and how you became a founder?
 - b. What did the company initially build, and where was it based?
 - c. Which market did the company initially target?
 - d. What stage was the company in when you first came into contact with YC, in terms of product, traction, and financing?
2. First encounter with Delaware incorporation
 - a. When did you first hear that the company needed to become a Delaware C-corp, and from whom?
 - b. Was it presented as a requirement, a recommendation, or a best practice?
 - c. Had you considered a Delaware structure before, or was the decision externally driven?
3. The decision: constraint or strategic choice
 - a. If the Delaware C-corp structure had not been required or strongly recommended by an external actor, would you still have pursued it at that time? Why or why not?
 - b. What alternatives did you discuss, such as remaining a Swedish AB, doing the flip later, or creating a parallel structure?
 - c. What was the decisive argument that made you proceed despite the cost and friction?
4. The flip process: cost, complexity, and friction
 - a. Can you describe how the Delaware flip was carried out in practice?
 - b. Which legal or tax-related aspects were most surprising?
 - c. How many parties were involved, such as lawyers, tax advisors, and investors?
 - d. How would you summarize the cost of the flip in terms of money, time, and energy?
5. What Delaware changed, and what it did not change
 - a. What changed directly after becoming a Delaware C-corp?
 - b. Did the flip affect your valuation, or mainly your access to investors?

- c. Did investors take you more seriously after the flip, or did it mainly open more doors?
 - d. Was there anything you expected to become easier, but that did not change?
- 6. Investor behavior before and after YC/Delaware
 - a. How did investor dialogues differ before and after U.C VC investment or Delaware incorporation?
 - b. Did you notice differences in speed, decision-making, or risk appetite?
 - c. Did you experience that U.S. investors actively avoided the Swedish AB structure?
 - d. How did YC differ from previous investors in terms of operational involvement?
- 7. Signaling: accelerator/investor affiliation versus Delaware
 - a. What do you think signals most to investors: participation in a reputable accelerator or investor network, or the Delaware structure?
 - b. Do you think Delaware incorporation signals quality, or mainly legal compatibility?
 - c. Have you seen founders who remained in Sweden, and how did their fundraising journey compare to yours?
- 8. Lessons learned
 - a. If Sweden or the EU had a Delaware-like standard, would you have stayed?
 - b. If you could redo the process, what would you have done differently, and when?
 - c. When do you think a Swedish founder should not pursue a Delaware flip?

Investors

- 1. Cross-border investments
 - a. How do you generally approach cross-border investments?
- 2. Legal structure in investment screening
 - a. When evaluating a European startup, how important is the company's legal structure in the screening process?
 - i. Have you ever invested in Nordic or Swedish startups?
 - ii. Is incorporation in the U.S. a formal requirement within your fund, or more of a preference?
 - iii. Have you ever declined to invest because of jurisdiction?
- 3. Delaware incorporation and investor perception

- a. Does it signal anything to you when a startup is incorporated as a Delaware C-corp?
 - i. Does it signal quality, ambition, scalability, or mainly legal compatibility?
 - ii. Would you evaluate two otherwise identical companies differently depending on whether one is a Delaware C-corp and the other is a Swedish AB?
 - iii. Does it affect your perception of risk?
 - iv. Does it make due diligence faster or more efficient?
 - v. Does it affect your expectations around exit?
4. Cross-border investment challenges
 - a. What challenges arise for you when investing in cross-border investments?
5. Differences between Swedish and American founders
 - a. Do you perceive differences between Swedish and American founders in how they approach fundraising, risk, or scaling?

Lawyers

1. Background
 - a. How long have you been working with Delaware flips?
 - b. Approximately how many Swedish or European companies have you helped go through a Delaware flip?
 - c. What kind of companies usually do the flip?
 - d. At what stage are companies usually when they pursue a Delaware flip?
 - e. Do you see an increase in companies choosing to do the flip or showing interest in it?
2. Reasons for doing a Delaware flip
 - a. What usually triggers the decision to look into a Delaware flip?
 - b. What are the most common reasons founders consider doing a flip?
3. Requirement or norm
 - a. Is the flip considered more of a requirement from American investors, or has it become a broader norm?
 - b. Have you seen U.S. investors invest in a Swedish AB without requiring a Delaware flip?
4. Investor preferences

- a. Why do investors want the company to be a Delaware C-corp?
 - b. What legal or practical advantages does a Delaware C-corp offer from an investor perspective?
- 5. The process
 - a. How long does the Delaware flip usually take?
 - b. What does it usually cost to do a flip?
 - c. What are typical mistakes founders make during the process?
 - d. Are there any surprise taxes or unexpected costs?
 - e. What problems can arise in relation to intellectual property?
- 6. Effects after the flip
 - a. What usually changes after the flip has been completed?
 - b. Does fundraising become easier?
 - c. Does fundraising become faster?
 - d. Does the company gain access to more investors?
 - e. Does the company receive better terms?
 - f. Have you seen cases where the flip did not help?
- 7. Timing
 - a. Can a company do the flip too early or too late?
 - b. What factors determine the right timing for a Delaware flip?
- 8. Culture and ecosystem differences
 - a. What differences do you perceive between the Swedish and American startup ecosystems?
 - b. Do you perceive differences between Swedish and American founders?
- 9. Signaling
 - a. Do you see the Delaware flip as signaling anything specific to investors?
 - b. Does it signal quality, ambition, scalability, or mainly legal compatibility?

Intermediaries

- 1. Background and company context
 - a. Can you briefly describe your company and where it operates?
 - b. How did you first become involved with the Delaware flip concept?
- 2. Drivers behind the Delaware flip
 - a. What are the primary drivers that make a UK founder consider a Delaware flip?
 - b. How do you view the Delaware flip from your perspective?

- c. Do investors request a Delaware flip as a condition for investment?
- 3. Evaluation of the Delaware flip
 - a. How do you evaluate whether a company should do a Delaware flip?
 - b. What pros and cons do you consider when assessing a Delaware flip?
 - c. Are there particular industries or business models where a flip is more or less advisable?
- 4. Benefits and negative aspects
 - a. If a company has pursued a Delaware flip, what benefits have you observed?
 - b. What negative aspects or challenges have you observed?
 - c. If you could redo the process, would you think differently?
 - d. Has the Delaware flip created opportunities for more investment?
- 5. Networks and signaling effects
 - a. Some articles suggest that a Delaware flip can provide benefits such as access to networks and signaling effects. Have you experienced these benefits?
 - b. If not, what were the main reasons for pursuing a Delaware flip?
 - c. Do you think the Delaware flip itself signals anything to investors?
- 6. Fundraising strategy and investor targeting
 - a. In your experience, how often do founders start by targeting U.S. investors before approaching UK or European investors?
 - b. Is it common for founders to seek investment outside the UK or Europe?
 - c. How does the legal structure affect access to U.S. investors?
- 7. Delaware flip as a scaling strategy
 - a. Do you see the Delaware flip as part of a scaling strategy?
 - b. Was the Delaware flip part of your company's scaling strategy, or what were the reasons for pursuing or not pursuing it?
 - c. What other scaling strategies were considered?
- 8. Timing and company stage
 - a. How does the stage of the company, such as pre-fundraise, seed, or growth stage, shape the Delaware flip decision?
 - b. At what stage do you think a Delaware flip is most appropriate?
- 9. Culture and VC markets
 - a. What are the main differences between the European and U.S. VC markets?
 - b. How do entrepreneurs in Europe and the U.S. differ in how they approach fundraising, risk, and scaling?

- c. Do you think U.S. VC enables more entrepreneurs to pursue their ideas?
- 10. Advice to founders
 - a. If you could give founders one piece of advice about the Delaware flip, what would it be?

Innovation Support Actors

1. Background and role
 - a. Can you briefly describe your role and how your organization supports startups or entrepreneurs?
 - b. What types of startups do you usually work with?
 - c. In what ways do you interact with Swedish or Nordic startups that are interested in the U.S. market?
2. Swedish/Nordic startups and the U.S. ecosystem
 - a. Why do you think Swedish or Nordic startups are interested in the U.S. startup ecosystem?
 - b. What usually motivates startups to go to Silicon Valley or other U.S. entrepreneurial hubs?
3. Differences between the Swedish/Nordic and U.S. ecosystems
 - a. What do you perceive as the main differences between the Swedish/Nordic and U.S. startup ecosystems?
 - b. What strengths do you see in the Swedish or Nordic ecosystem?
 - c. What strengths do you see in the U.S. ecosystem?
4. Networks, mentorship, and ecosystem access
 - a. How important are networks for startups seeking to establish themselves in the U.S.?
 - b. What kind of support or knowledge do startups usually seek when entering the U.S. ecosystem?
 - c. How do startups typically gain access to relevant investors, mentors, operators, or advisors?
5. Delaware incorporation and legal structure
 - a. In your experience, why do startups consider incorporating in Delaware?
 - b. Do you think Delaware incorporation signals anything to investors?

Appendix II – Delaware Flip Decision Tool

The following link directs you to the website that were created for the Delaware flip decision tool: <https://flipdecision-guide.lovable.app>

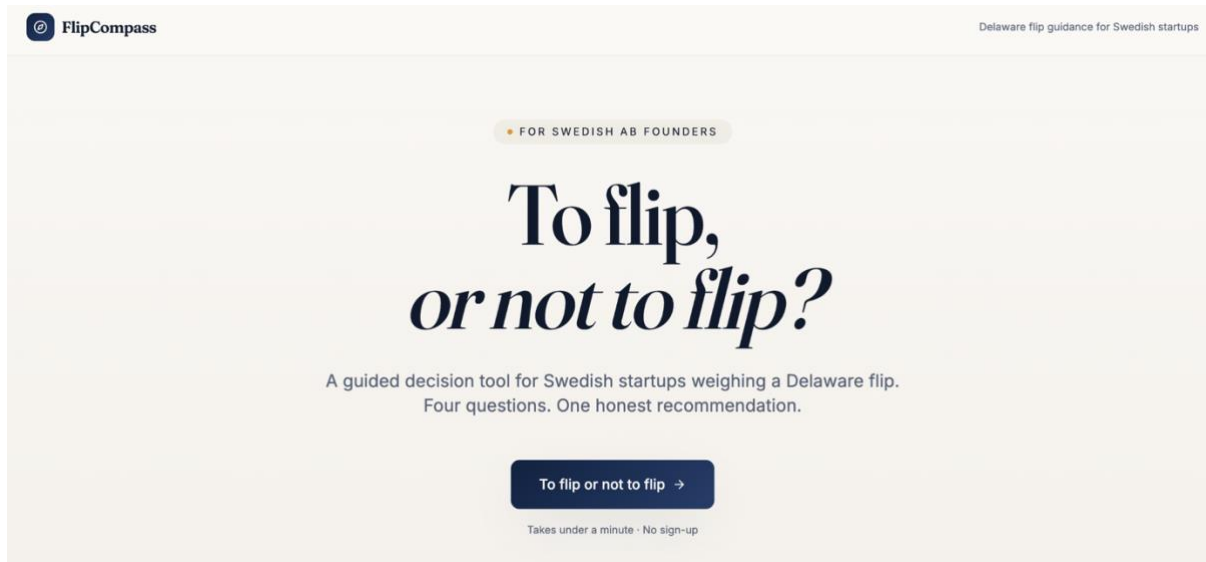


Figure 4: Homepage of Delaware Flip Decision Tool

The decision-tool is composed of following questions and answers.

1. Is your company a Swedish AB?

Answer: Yes or no

Yes = Next question

No = We can't recommend the user to do or not to do the flip because this guide is only for Swedish AB. Organizational structures differ and therefore the recommendations are not universal.

2. Are you planning to raise money in the U.S. - now or in the future?

Answer: Yes or no

Yes = Next question

No = we don't recommend doing a Delaware flip. If a company has already raised money in Sweden and has no U.S. fundraising plans, a flip is costly and unnecessary. Founders would expose the company to regulatory regimes in two countries, increasing operational complexity and ongoing compliance burden, with no offsetting upside.

3. In what industry does your company primarily operate within?

Answer: Choose among a set of options what industry you operate within. Defense, AI/ML, Fintech, SaaS/Software are some of the options to choose from.

Defense = It depends. We would recommend proceeding with caution. A Delaware flip could in some cases hinder the company from obtaining European customers. U.S. laws, particularly when subject to export control regimes, can introduce regulatory complexity that may create friction in engaging with European customers. In addition, regulations such as the CLOUD Act may raise concerns around data access and jurisdiction, which in some cases can limit startups' ability to secure contracts with Swedish public sector clients.

Any other industry = Next question

4. Do you have American investors lined up, or shown interest?

Answer: Yes or no

Yes = We recommend doing the flip. With American investors already engaged, a Delaware flip removes the structural friction they expect. It signals you're serious about the U.S. market and aligns your cap table with their domestic mandates and tax structures.

No = It depends. We would recommend proceeding with caution. A flip can de-risk a future U.S. raise and is often essential for a U.S. acquirer at exit. But without committed American capital today, you may incur significant cost and complexity for an outcome that never materializes. Quantify the cost, weigh it against your 12–24-month roadmap.



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