
Comparing doing business in Europe and the US

Executive summary

The focus of this paper is the international business and entrepreneurship. The paper is aimed at conducting a comparative analysis of the entrepreneurship in Europe and in the United States. The paper will assess various factors influencing the entrepreneurship in Europe and US. In order to achieve, the paper will support the argument with facts from a comparative analysis of different industries operating in the United States and Europe. Finally, the paper will draw the conclusion based on the point made throughout the paper.

Introduction

In the international business environment, each country, continent and region is unique in its own way. They differ in terms of opportunities, facilities, and infrastructures. When selecting the business destination for their investment, entrepreneurs consider various aspects that can contribute to the success and profitability of their business within a given country (Styles and Gray, 2006, p.11). Depending on the industry and area of specialization, the United States and the European Union have always been the target of all types of entrepreneurs. This paper therefore is intended to assess the entrepreneurship in Europe compared to the United States.

Entrepreneurship

The term entrepreneurship simply means the willingness and the capacity to create, organize, develop and manage the business investments with the aim of making profits (Styles and Gray, 2006, p.14). Entrepreneurship can also be defined as starting a business or taking on risks hoping to achieve growth in the future or the commitment to turn the idea into a profitable company or business. Entrepreneurship encompasses the whole activities involved in a company's operations from the initial stage of generating smart ideas up to the execution and marketing the business or reaching customers (Styles and Gray, 2006, p.18).

There are four types of entrepreneurship depending on the scale of their activities, the stage of their life cycle and their areas of specialization. These types of entrepreneurship are small business entrepreneurship, the scalable startup entrepreneurship, the large company entrepreneurship as well as the social entrepreneurship.

Entrepreneurs are people who possess some unique and specific characteristics that

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differentiate them from other people (Ahmadkhani et al., 2013, p.8). These characteristics include the creativity, innovation, perseverance, and risk taking. In addition, entrepreneurs are people who see problems as opportunities, and while other people are complaining, they seek solutions (Dahl strand and Stevenson, 2010, p.19). This means that entrepreneurs are risks takers and they have the ability to look into the future. For instance, entrepreneurs are people who are able to see the potential in things that seem to be valueless (Ahmadkhani et al., 2013, p.22). They therefore venture into the future without the fear of the uncertainty.

What does it take to become an entrepreneur in the US and Europe – obstacles and incentives

Becoming a successful entrepreneur is a great task as it involves a number of factors that range from the personal and individual skills and capabilities up to the industrial and business environment factors (Cumming and Li, 2013, p.5). In order to understand what it takes to become an entrepreneur in the United States and Europe, it is important to understand each on the individual level by seeking to describe the obstacles and incentives of entrepreneurship.

Entrepreneurship in the US

Motivation

Being the world's powerful economy, the United States offers unlimited opportunities and motivation to entrepreneurship (Bjerke, 2007, p.20). For example, operating in the US economy offers entrepreneurs access to the most mature venture-capital industry. In addition, the United States has enormous resources in terms of qualified and skilled human capital as well as other natural resources that are needed for business (Cumming and Li, 2013, p.9). This country is advanced in various areas of business such as the entrepreneurial culture, the business infrastructures as well as financial sector (Johnson, 2004, p.7). This facilitates the effectiveness of business transactions and enhances the financial security of entrepreneurs (Bjerke, 2007, p.24). The business environment in the US provides entrepreneurs with sufficient freedom on their business operations and the ability to run their business in ways that favour them. It is also important to mention the strong relationship between the business industries with the US universities (Cumming and Li, 2013, p.21). This enhances the access to the most recent innovation and it is logical to say that the US universities are the economic engine of this country.

The facilities offered to entrepreneurs in the United States attract thousands of entrepreneurs from around the world to invest in the country (Bjerke, 2007, p.29). For example, the US is the hub of more advanced technologies. Moreover, the immigration policy of the United States

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encourages entrepreneurship in many ways since it brings new talents, new minds and new innovations from around the world to the US (Johnson, 2004, p.13).

Limitations of entrepreneurship in the United States

Even though the United States is a country of immense opportunities for entrepreneurship as aforementioned, there are also some drawbacks that reduce and affect the possibility of becoming successful entrepreneurs in the country (Ogbolu, Singh and Wilbon, 2015, p.35). These limitations include the cost of labour, the higher taxes, and the operating costs that are extremely high in the US compared to other countries. The higher level of competition is another big challenge that entrepreneurs are faced with in the United States (Zahra et al., 2009, p.16). The competition is a threat to entrepreneurs most particularly startups or small business that have limited resources and experience in the industry. This impairs their profitability in many ways and can result in the closure of business (Zahra et al., 2009, p.20). Other limitations are requirements related to the protection of the environment and corporate social responsibility. In the US, the trending issues of green business is changing the business environment as they are forcing companies and business people to introduce new ways of conducting their operations taking into consideration the effect of their activities on the environment (Saha and Darnton, 2005, p.54). This increases the cost of doing business in the US and it has a great role to play in the demand for products or services offered by the company to its customers.

Entrepreneurship in Europe

Motivation/incentives

Entrepreneurship is one of the major contributors to the European economy. The entrepreneurs in Europe are motivated by numerous opportunities and business environment that favour entrepreneurship. Various member countries of the European Union introduced motivation based policies for the entrepreneurial economy. In addition, there is a wide market of products or services in Europe that is available for all types of products (Corbetta, Minichilli and Salvato, 2013, p.20). The purchasing power of the population and the growing economy are factors influencing the entrepreneurship in Europe. There are many business opportunities in Europe that influence and attract many entrepreneurs from around the world. From the cultural industry up to the foodstuffs business opportunities, there is no doubt that the European market is one of the most promising places for successful entrepreneurship (Smallbone and Welter, 2012, p.15). The Business environment in Europe offers security for the business and there are enough infrastructures for different types of business sectors. Various policies introduced and implemented by the governments contribute significantly in protecting the interest of entrepreneurs in Europe (Corbetta, Minichilli and Salvato, 2013, p.24). It is also important to mention that there availability of highly skilled and qualified workforce enhances the possibility

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of doing business in Europe.

Limitations of entrepreneurship in Europe

Some of the limitations to entrepreneurs in Europe include the declining economy, the aging population, the international business policy and the operating costs (Smallbone and Welter, 2012, p.17). In the European economy, it is not easy for startups to survive due to a number of reasons. Just like in the United States, the cost of operating in Europe is quite high and the requirements of starting a business are challenging. This can be a limitation to small entrepreneurs who have no sufficient capital to meet those requirements in terms of standards needed and other legal requirements. Furthermore, the costs of labour are extremely high in Europe and therefore it takes huge capitals for entrepreneurs to attract qualified employees (Corbetta, Minichilli and Salvato, 2013, p.28). It is important to note that due to the level of technology in Europe, the technical assistance is key to the successful entrepreneurship. On the other hand, the competition in European business environment is high. Even though this can enhance the quality of services and products offered by companies in Europe, it can put a lot of pressure on companies, especially when competing on prices (Smallbone and Welter, 2012, p.18). Therefore, companies that have no strong business portfolio may not survive which might be a limitation to entrepreneurship in Europe.

Case study analysis: A comparative analysis between Start-ups in the United States and Europe

US vs Europe

Before talking about the difference between industries on both sides there are some key points to consider. There is a big difference between the US Startups and Europe Startups. This is intended to demonstrate the most attractive place for entrepreneurship between the United States and Europe since access to funds is one of the major challenges of Startups (Duong, 2016, para.1). From the investors' perspective, there exist three key differences between US and Europe star-ups.

Funding

Compared to the US startups, the new entrepreneurs in Europe have the ability to raise money than those in the United States. This is due to the fact that Europe has a great number of angels who are willing to invest in start-up unlike in the United States where entrepreneurs are struggling to raise funds or have limited funds (Duong, 2016, para.2). For example, there are different start-up capitals in Tel Aviv, London, and Berlin that possess a remarkable network of

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important players for a startup community. This explains that startups in Europe have many opportunities than startups in the United States.

Revenue First Vs. Growth first

Unlike in Europe where it is easier to source funds for startups, the United States is the best in financing the growth stage (Zahra et al., 2009, p.18). There are significant venture capitals for the growth stage of companies in the United States than in Europe. This is due to the fact that the United States is a giant market and companies require enough resources to compete. Therefore, investors are willing to invest in these small enterprises in their growth stage hoping that they may grow and become global companies (Duong, 2016, para.4). Different reports revealed that European investors focus on revenue than growth which makes it challenging for startups to get venture capitals for growth stage. This gives the US Startups the competitive advantages to dominate the global industry and to penetrate the market with ease.

Sequential Go-to-Market strategy

Another factor that contributes to the growth of entrepreneurship in the United States than in Europe is the nature and the characteristics of the market. For example, the US market is one unique market that is easy to operate in, unlike the European market that is characterized by diversity. This diversity contributes to the slower growth speed of new businesses in Europe. Startups are faced with the necessity to build up partnerships in different countries as well as the need to translate products into several languages used in different countries of Europe is a big challenge compared to US startups (Duong, 2016, para.5). This means that in Europe, it is not easy or possible to access all countries at the same time through social networks or any other platform. Startups in Europe are also faced with the challenges of penetrating new geographic markets as it requires them to have a new experience, adapting products to the markets as well as forming partnerships (Zahra et al., 2009, p.126). These are the main differences between US startups and the European startups. In fact, the reason for slower growth pace of European startups is that there are no venture capitals for growth stage. In addition, the market structures are quite different that challenges and drawbacks in the European markets may hinder the development and growth of the startups (Duong, 2016, para.6). As a result, the fear of uncertainty in Europe leads the venture capitals to consider the revenue first than growth whereas on the other hand, the US investors are quite optimistic on the future growth and profitability than in the present and they are ready to take possible risks in taking the startup to the next step.

The automobile industry Europe Vs US

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In comparison, the US automobile industry is miles ahead and has a cost advantage over the European industry since the latter has a growing productivity and technological competence. Recently, the US suppliers have been increasing their productivity than any of its competitors (Schulz, 1997, p.6). This means that the US is ahead in all aspects such as technological and better quality process than its competitors such as Europe and Japan.

Conclusion

Given the findings above, there is no doubt that the United States presents more opportunities for entrepreneurs than Europe. This can be characterized by the facilities offered to startups in the US to grow and to expand unlike in Europe where there are no investors who focus on growth. In addition, there are more limitations to entrepreneurship in Europe than in the United States (Schulz, 1997, p.9). Furthermore, the comparison between automobile industries indicated that the US is miles ahead of its competitors such as Europe and Japan.

Appendix

Figure 1: Illustration of countries with the most venture capital investment

The illustration above demonstrates the position of the United States on a global scale in terms of venture capital investment. As indicated, the United States is the largest country of investment compared to the economic powerful countries of Europe and Asia with likes of India, Israel, and Canada. This is a clear indication of the advantages and opportunities available for startups in the United States than in any other country.

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