



Faculty of Economic and Business Sciences

**COMPARATIVE ANALYSIS OF  
ENTREPRENEURSHIP IN SELECTED  
COUNTRIES.  
DEEP DIVE IN SPAIN AND  
POTENTIAL COURSES OF ACTION.**

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## **ABSTRACT**

With an inductive and qualitative methodology, we situate ourselves in a global context of entrepreneurship as an engine that enhances the development of an economy. Certain factors such as an adequate education and an entrepreneurial culture will favor its development. Within the framework of the selection criteria, a comparative research will be carried out covering four countries, in different continents, with Spain being the main focus of attention. Its belonging to the European Union, its economic development and, at the same time, its potential as an entrepreneurial country, places the research in line with analyzing the possible suggestions that could make Spain a reference country.

**Key words:** Entrepreneurship, entrepreneur, unicorn, startups, barriers, education, culture, development, economy, global, government, policies, business creation.

## **RESUMEN**

Con una metodología inductiva y cualitativa, nos situamos en un contexto global de emprendimiento como motor que potencia el desarrollo de una economía. Determinados factores como una adecuada educación y una cultura emprendedora favorecerán su desarrollo. En el marco de unos criterios de selección, se realizará una investigación comparativa sobre cuatro países, de distintos continentes, siendo España el principal foco de atención. Su pertenencia a la Unión Europea, su desarrollo económico y a la vez, su potencial como país emprendedor, sitúa la investigación en la línea de analizar las posibles sugerencias que pueden convertir a España, en un país referente.

**Palabras clave:** Emprendimiento, emprendedor, unicornio, startups, barreras, educación, cultura, desarrollo, economía, global, gobierno, políticas, creación de empresas.

# **1. INTRODUCTION**

This investigation brings us closer to the current reality of the entrepreneurial world in a number of chosen countries. The analysis displays the existing and direct relationship between the factors presented, factors such as entrepreneurial education, and the development of those countries as entrepreneurial nuclei. Finally, a deep dive in Spain is executed, later suggesting some possible improvements in order to fully and sustainably exploit the capacity of Spain.

## **1.1 INTRODUCTION TO THE ISSUE AND OBJECTIVES**

Although the definition of entrepreneurship is relatively new, the concept has been with us for a long time, starting with people like Steve Jobs and Thomas Edison. Its appearance is recent; however, economists do not overlook the importance and effects it has on the economy and development of the country. For this reason, as the years go by, governments in different countries are changing their way of thinking and working to progressively adapt to the needs of entrepreneurs, reducing barriers and obstacles.

As we will see in this paper, many studies have shown that, the more investment a country makes in the development of entrepreneurship in its economy, the greater the benefits it will obtain. Currently, we are in a situation in which innovation, creativity and progress are the factors that move the economy, therefore, the countries that invest the most in this, become the most advanced places from an entrepreneurial lense.

In order to reach a point of understanding of the topic and everything it involves, we have set the following objectives. The main objective of this analysis is to understand entrepreneurship from the point of view of those for countries elected, through an analysis of the countries' investment on its development and the reasons for it. Additionally, a deep dive in Spain and to realize possible improvements that we could suggest for the further development of an entrepreneurial culture.

As a second objective we will try to understand the meaning of entrepreneurship, as well as its importance for the economy. We will explain the term 'unicorn', which will be used as a measure of success for countries.

Next, we will analyze the factors that drive entrepreneurship in an economy, in a way that favors its development. Some of them are: business education given in educational institutions, governmental policies that favor or not such development and the culture of the country.

As a next point of analysis, we will present the selection criteria of the countries to be selected, being the United States, the referent country chosen based on its successful results.

Once entered into the analytical part of the research and having already selected the countries to be investigated: United States, Israel, Nigeria and Spain, the objective is to analyze each country separately, according to the factors that we have previously mentioned.

Out last objective and conclusion of the analysis will be an in-depth study of the entrepreneurial situation in Spain. Additionally, a comparative study will be conducted with the rest of the countries, ending with a series of suggestions that adapt to the current situation, focused on making Spain a benchmark country in this field.

## **1.2 METHODOLOGY**

In order to achieve our objectives, we will use an inductive methodology, based on qualitative research carried out in the international field. Given that it is intended to analyze countries with completely different cultures, due to their geolocation, trying to conduct a deductive approach, starting from scratch with a hypothesis to be demonstrated, would not be credible due to the magnitude of the study. Similarly, a quantitative approach would not be realistic in this scenario.

Due to the breadth of the topic to be dealt with, a selection has been made on four countries, with the aim of carrying out an exhaustive study of each of them. This criterion has been chosen, in order to deepen in each country, instead of carrying out a more general study.

Additionally, it is important to point out what our success reference will be. We selected the United States as a global entrepreneurial nucleus and, in the same way, as a comparative reference country with respect to the other countries studied.

In order to introduce ourselves in the context of work, the study will begin with a theoretical conceptual framework. Due to the subjectivity of the 'entrepreneurship' concept, a personal definition will be constructed that will be applied for the rest of the analysis. In the same way, the importance of entrepreneurship in today's global economic situation will be explained, referring to entrepreneurship as an 'economic booster'.

Once immersed in the most analytical part, we will investigate orderly, each influential factor in the four selected countries, highlighting the case of Spain, by the personal knowledge of the person who carries out the research.

On the other hand, despite being Spain, as a country belonging to the European Union, an economically developed country, today it is not in the front line of entrepreneurial countries. It is therefore interesting to analyze the reasons that lead to it and the improvement actions that could be carried out.

## **2. CONCEPTUAL FRAMEWORK**

### **2.1 DEFINING ENTREPRENEURSHIP**

Within the business world, entrepreneurship is a widely debated concept. There is no single definition about what it means to be an entrepreneur and this concept has evolved and changed throughout history, in fact, it was not until recent years that it was defined.

If we search the Internet for the definition of "entrepreneurship", a large number of websites will appear, each one with different interpretations that come from reliable sources; entrepreneurs, successful business men, etc. However, if they have something in common, it is the use of words like: "risk", "opportunity", "solve problems", "will", "act", "resources" and "perseverance".

Considering the different contributions, we can define "entrepreneurship" as the ability of a person to see a business opportunity, along with the will to want to carry it out, being able to take risks.

One of the best-known definitions of entrepreneurship comes from Professor Howard Stevenson: "Entrepreneurship is the search for opportunities beyond controlled resources" (Eisenmann, T. 2013).

In a simple way, Professor Stevenson contemplated several fundamental factors. On the one hand, the "search for opportunity", that is, being open to a business vision in a persevering way and on the other, with the expression "beyond the controlled resources", shows the risk that it is assuming, and the challenges faced when searching for funding to commence your project.

For years, the importance of entrepreneurship has been underestimated and we could even say, had negative connotations. Today, we see that there has been a change of mentality where the idea of becoming an entrepreneur is now on the minds of many university students as they finish their studies.

Although there isn't an exact percentage of the number of students that want to create their own business after college, we can see a rise of startups in recent years from just-graduated students, startups such as Pompeii (Spain).

## 2.2 ENTREPRENEURSHIP AS A DRIVER FOR ECONOMIC GROWTH.

Beyond personal aspirations, we can say that entrepreneurship is also a boost to the economy of many countries.

What are the reasons for economic improvement in countries that are abundant in entrepreneurs? According to Investopedia, we can highlight:

1. "Entrepreneurs create new businesses" (Seth, S. 2017) from which other companies can benefit, giving rise to what is called a "cascade effect, by promoting related businesses or sectors that support the new company" (Seth, S. 2017).

This means that the development of technology, for example, could represent a big change in the way that other sectors, maybe even unrelated industries or businesses, work and promote their development in a way that perhaps by themselves, would not be possible.

2. "Entrepreneurs increase national income" (Seth, S. 2017). New SMEs generate employment and increase profits in the country.

3. "Entrepreneurs create social change" (Seth, S. 2017) by breaking with the status quo and creating new ways of thinking, new alternatives that lead to improved lifestyle. If we take the case of Steve Jobs, he went beyond the current needs of the market and created non-existing ones, revolutionizing every industry: music, photography, communication, lifestyle, etc. The most surprising thing is that, actually, they are accessible to almost all consumers, regardless of their income.

In recent decades, more and more countries are seeing the entrepreneur movement as a way to boost the economy.

If we refer to Europe, according to the European Commission, only *"37% of Europeans would want to work on their own, compared to 51% of people in the United States and China"* (European Commission, 2018).

Two of the main causes of this first vast difference between Europe, Asia and E.E.U.U, are the existence of administrative and other barriers, which difficult the entrance to the market.



Europe is making a great effort to eliminate these barriers and attempt to make it more attractive for young people to invest in these new projects, in order to benefit from the positive impact of entrepreneurship for the economy.

The European Commission has stressed that *“Europe’s economic growth and jobs depend on its ability to support the growth of enterprises. Entrepreneurship creates new companies, opens up new markets, and nurtures new skills. The Commission’s objective is to encourage people to become entrepreneurs and also make it easier for them to set up and grow their businesses”* (European Commission, 2018).

As a result, they have launched a new "2020 Entrepreneurship Action Plan", in which they mention that: *“to bring Europe back to growth and create new jobs, we need more entrepreneurs.”* It is an action plan (European Commission, 2018) whose fundamental objectives are to:

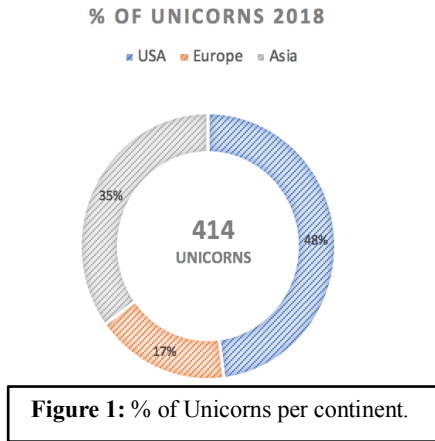
1. Unleash the business potential of Europe.
2. Remove existing obstacles and barriers.
3. Revolutionize the culture of entrepreneurship in the E.U.
4. Facilitate the creation of new companies.
5. Create a much more favorable environment, so that existing entrepreneurs prosper and improve.

Leaving aside Europe for now, and focusing on a more global scope, we must highlight an important term for entrepreneurship, as well as for this study, it is the following: a **unicorn**.

A unicorn is a new company whose value has reached \$ 1000 million. Currently, the largest unicorn in the world is the company Bytedance, with a value of \$ 75 billion and headquartered in China. We will take as a reference of success (in having a strong entrepreneurial base), the number of unicorns a country has.

It is interesting to see that of the top ten most valuable unicorns, six are also found in California, three in China and one in India, none of them in Europe. (CB Insights, 2019).

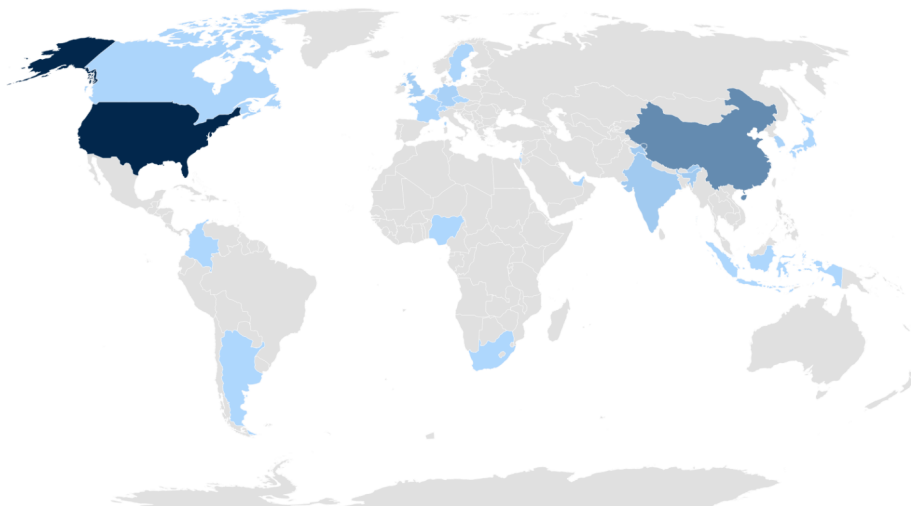
It is difficult to know the exact number of unicorns a country has, due to the inaccuracy of online sources. However, we will use as a reference throughout the investigation, the CB Insights analysis and their data.



- Unicorns in Europe: 17%
- Unicorns in the United States: 48%
- Unicorns in Asia: 35%

The reason for these differences will be analyzed during the present study.

Before beginning with the breakdown, below there is a map of the global distribution of unicorns created a CB Insights “Unicorn Trends” Report.



**Figure 2: Global Unicorn distribution.**

The darker blue represents countries with a high number of unicorns. In a way, this map will serve as a guide when choosing the countries to be analyzed. An investigation that compares countries and continents abundant in unicorns, with places that lack them, will force us to deepen and examine the reasons behind this enormous difference, thus being able to reach the foundations of the development of entrepreneurship.

### **2.3 FACTORS INFLUENCING THE DEVELOPMENT OF ENTREPRENEURSHIP**

To conclude the theoretical framework that will be used through this study, we will identify the factors that will be analyzed one by one in each of the countries, as favorable means for the development of startups and unicorns. The following have been selected:

1. The country's **mindset and culture**, referring to the acceptance of failure as a means of learning, the status with which an entrepreneur is associated and, generally, if people have those personality traits that characterize a business creator.
2. Whether or not entrepreneurship is promoted through **education**, with subjects that encourage the practice of learning outside the classroom and which include direct contact with real entrepreneurs and existing projects.
3. As a third factor, the **political situation** of each country, examining whether the government promotes entrepreneurship through its policies or, on the contrary, hinders it. As we will see, the role of the government of a country is fundamental for the development of entrepreneurship in the country.
4. Finally, we will investigate **initiatives**, in addition to governmental ones, of other associations and organizations that realize the importance of entrepreneurship and decide to contribute resources for its development.

### 3. COMPARATIVE ANALYSIS OF SELECTED COUNTRIES

#### 3.1 COUNTRIES SELECTION CRITERIA

Now that we have established the importance of entrepreneurship in the global economic environment, an analysis will be done on the different entrepreneurial nuclei or, the different countries where unicorns are most common, global wise.

To begin with, we will explain the selection criteria for choosing some countries (and leaving others behind) that will provide useful and conclusive results relevant to the research:

1. In order to carry out personalized and less conventional research, several countries have been selected from the following continents: Europe, Africa, Asia and America. The study of these four continents seems appealing, in order to reflect in some way, four opposite poles in terms of economic, cultural and social diversity
2. The first idea was to carry out an analysis of the **United States** and China, as two very strong economic powers. Ultimately, we found it more interesting to approach the study establishing a comparison between the United States as a reference country (it has the largest number of unicorns in the world) and the rest of the locations. Although the possibility of analyzing China as a reference country was also considered, due to the close similarity to the United States, it was finally ruled out in favor of other countries, with the objective of conducting a less conventional research.
3. The election of **Israel** as the representative country of Asia is due to several reasons:
  - a. We decided to analyze Israel, leaving to the margin significant countries in the world of innovation such as Singapore, as it seems interesting to analyze how, despite of being immersed in a political and social conflict for years, it has been able to attract talent and foreign investment, achieving to become an important entrepreneurial nucleus.
  - b. Secondly, Israel has the largest flow of foreign investment in the world.
  - c. Finally, for creating the Silicon Valley of Israel, the Cyberspark space.

4. The criteria used to select **Nigeria** within Africa is the following:
  - a. It has one of the only three unicorns in Africa, Jumia.
  - b. Given the economic and social context of Nigeria as a developing country, it is interesting to investigate how resources are distributed to promote entrepreneurship and the birth of unicorns.
  
5. Europe is key to this investigation for the opposite reasons. Regardless of the high development of most of its cities, Europe is the western continent with the lowest number of unicorns, for reasons that will be examined throughout this essay, in the world. Spain was selected for two reasons:
  - a. Despite its great development, demonstrates shortage in entrepreneurship. This will help us understand the reasons for the delay of so many countries in Europe in terms of startups.
  - b. From a personal point of view, Madrid is the city from which the study is conducted, therefore, due to a direct and personal contact with the entrepreneurial environment, the analysis will be more realistic and interesting.

The difference in the economic, political and social environment that exists amongst all these different continents is what makes the research so interesting and what will bring about conclusive, comparative results that can be used to understand the different entrepreneurial climates based on the country.

### **3.2 THE UNITED STATES**

The first country that will be examined is the United States, the home of unicorns for some people or the nuclei for entrepreneurship itself. Even though many countries such as China are catching up and we could say that the United States may be losing that entrepreneurial advantage, the results confirm otherwise, the USA remains until today with the highest number of unicorns worldwide, 158 unicorns which represent a total global 48% (CB Insights, 2019).

Entrepreneurship in the United States goes way back in history, with names that are very familiar to us. Names such as Thomas Edison, Steve Jobs, Walt Disney and Bill Gates. All of which shared two traits: They were visionaries and risk takers.

They changed the course of those industries they were part of, as well as other surrounding industries, by creating a need that was not in the market. If we take the example of Steve Jobs, the founder of Apple, he did not only change the course of the mobile phone industry, he also altered the course of the photography, music and lifestyle industries, amongst others.

### Entrepreneurial mindset and culture

The first factor we are going to analyze in order to understand the United States' success as an entrepreneurship promotor, is the entrepreneurial mindset and culture. These factors will be analyzed together as they are the most 'abstract' ones.

As with the concept of entrepreneurship, the definition of entrepreneurial **mindset** could be defined in different ways according to personal perspectives.

Nevertheless, the Financial Times very neatly defines entrepreneurial mindset as a *“state of mind which orientates human conduct towards entrepreneurial activities and outcomes. Individuals with entrepreneurial mindsets are often drawn to opportunities, innovation and new value creation. Characteristics include the ability to take calculated risks and accept the realities of change and uncertainty”* (Financial Times).

In order to understand the culture and mindset of entrepreneurship in the United States, first we need to look at the birthplace of unicorns: The Silicon Valley, located in California. This is where the positive environment and culture associated with the United States and entrepreneurship comes mostly from.

According to Soren Kaplan, there are several factors that stand out from Silicon Valley's culture. The two most important ones being:

1. *“Taking a bath in the talent pool”* (Kaplan, S. 2014). Silicon Valley is famous for attracting and retaining talent from all over the world. Their unconventional ways of running things, specially the recruitment, is part of their success recipe.
2. Secondly, companies born in the SV work with customers, as opposed to for customers. Let's take the example of Uber, whilst the most obvious group of

consumers they have are the riders, there is another group of consumers that we always miss, the drivers.

Uber works with their clients to get the best customer experience from all sides and that is, partly, what makes them shine.

3. Lastly, companies established in the Valley do not set their strategy towards a profitable business, but rather an opportunity that can grow, an opportunity that is scalable (Kaplan, S. 2014).

After reading several articles about the experience that people have had when they stumbled across the Silicon Valley's entrepreneurial culture, it could be summarized by the following quote by a quote found in an article written by Accenture:

The Silicon Valley *“emulates the culture that attracts top talent to technology and engineering firms... Silicon Valley companies is an emphasis on getting things done quickly rather than agonizing over every potential flaw”* (Harris J. Et al.)

Although the Silicon Valley is where most American unicorns are headquartered, startups are widespread along the country. It would be incorrect to say that the Silicon Valley's factors just analyzed, also apply to the rest of the United States. For that reason and on more general terms, we need to look at culture and mentality alongside the United States as a whole.

According to Forbes, in order to create an innovation, you need a certain level of empathy (Maddock, M. 2013).

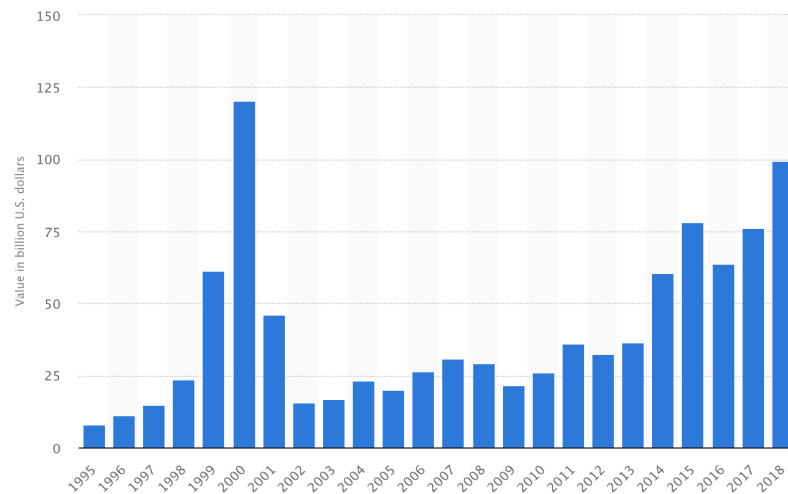
Empathy in this context, from the point of view of American investors, would mean giving funding to startups, thus trusting in their success blindly.

In terms of the point of view of the entrepreneur, it would mean looking beyond the limits and figuring out what the market needs.

Obviously, this is all theoretical, however, if we look at the 'World Giving Index 2018' created by the Charities Aid Foundation, the United States ranks as the 5th country more willing to carry out volunteer work, donate money and help a stranger.

This could be applied through the lenses of entrepreneurship, looking at the venture capital investment in the United States, which reaches almost 100 billion U.S dollars. Venture Capital could be defined as *“temporary equity investment in young, innovative, non-listed companies that stand out on the market.”* (Statista)

The graph below, also taken from Statista, shows the history in venture capital in the USA, and as we can see it has been gradually increasing through the years.



**Figure 3:** Venture Capital Investment in the USA per year.

A conclusion, after adding all the above data together, could be that, there are more investors willing to finance small companies that have no success guarantee (but have the potential to grow), in the United States than in any other country in the world.

This ‘generosity’ could be an important factor as to why the United States still remains with the highest number of unicorns in the world.

Moving on to the **culture**, we begin with the difference ‘necessity vs opportunity’, both reasons as to why people decide to undertake and create businesses.

Necessity would be the need for people to have a job, to support themselves and their families. Opportunity would refer to people that don’t necessarily have the need to start a business for financial support, but rather do it because they can, and they have the chance to innovate.

For this section, the Global Entrepreneurship Monitor (GEM) 2018/2019 report will be used, by Neils Bosma and Donna Kelley. Additionally, we need to keep in mind the figure below, created in 2018 by The World Bank Group and which distinguishes 3 different types of income for a country: low-income, middle-income and high-income.

Countries such as Haiti, Afghanistan and Mali remain in the low-income category as of 2018. Furthermore, countries included, and that are of interest for this investigation, in the middle-income category we find Nigeria. Last but not least, Israel, Spain and the United States are included in the high-income economies (World Bank Data Team, 2018).



Threshold	GNI/Capita (current US\$)
Low-income	< 995
Lower-middle income	996 - 3,895
Upper-middle income	3,896 - 12,055
High-income	> 12,055

**Figure 4: Income Categories.**

First, it may seem strange to connect the need/opportunity with the economy of a country and with culture. However, a country whose culture promotes the search for opportunities is more given to innovation. In the same way, a culture whose economy moves for reasons of survival, is less given to creativity.

According to the GEM report, in the United States approximately 3% (Bosma N. Et al., 2018/2019) of entrepreneurs start their own business for necessity reasons. Therefore, most of America's entrepreneurs report other reasons for beginning their entrepreneurial journeys.

In the United States the driving force would be the finding of opportunities and gaps in the market to be filled. An example of this would be Tesla. Tesla was the first company to create an electric sports car and other pioneer strategies to get ahead in the game of competition. Tesla is just an example of the hundreds of American companies that have had the benefits of the first-mover advantages, pushed by the culture of their home country.

Another important determinant of the culture in a country is the perception of failure. Whilst countries in Europe approach entrepreneurship with fear brought by a likely failure, citizens of the USA look at failure as a way of improvement and just an obstacle they have to jump to get to their objective. (Bosma N. Et al., 2018/2019).

### Education

The third factor is education. The consequence that this factor may have on entrepreneurship is pretty simple, having skilled talented people within the workforce of your country vs not having.

It is interesting to see whether education is important and necessary in the Silicon Valley, where many unicorns come from, in order to work there.

According to an article written by Jeanne Harris and Allan Alter, both working at Accenture, “*approximately 45 percent of the general Valley population has at least an undergraduate university degree, compared with a 28 percent for the United States as a whole*”.

While 45% may not seem like a lot, it is the difference between that percentage and the United States as a whole that is quite striking: 17% more people have university degrees at least in the Silicon Valley.

On general terms, The United States still has a competitive edge in terms of entrepreneurial education. Where in Europe we may be offered a very basic introduction to entrepreneurship in university, all the courses are still optional, unlike finances or accounting, which are mandatory. Although this fact may seem irrelevant, it demonstrates to a large extent the importance that is given to entrepreneurship in the country, since future entrepreneurs are the young people of today, it should be taught from the most basic schooling.

Beyond university in the United States, where students are offered a variety of courses in college that link to entrepreneurship, they are also granted with the chance of attending competitions, aside programs, research opportunities, etc.

### Political situation

The fourth factor that is going to be analyzed is the political situation of the United States. Donald Trump is the 45th president of the United States and today’s president since 2016.

Before getting into the analysis, it is interesting to see Trump’s path as an entrepreneur himself, which could later on justify his interest (or lack of it) towards entrepreneurship.

He was known for his real estate activity, possessing several luxurious buildings around New York, with the signature of being “*the most prestigious addresses*”. Just to mention some of them: ‘Trump Tower’, the ‘Trump World Tower’ and the ‘Trump Park Avenue’.

So, Donald Trump is quite an entrepreneur himself, starting this business from scratch along with his father, and turning it into a multi-million business, proves his pro-entrepreneurship position.

The current United States' government brings unavoidable controversy. Nevertheless, the president's path to support entrepreneurship can only be proven right or wrong through the eyes of entrepreneurs themselves. Let's examine **some** policies that Trump has created throughout his presidency, taken from the White House's website:

1. *“U.S. Embassies and Consulates support entrepreneurs by advocating for improvements to business climates and by hosting hundreds of public events around the world each year from setting up mentoring connections, to hosting workshops on angel investing, crowdfunding, or business incubation.”*
2. Reducing taxes from 35% to 21%, which will remain as such until 2025.
3. Deregulation to simplify the way for entrepreneurs.
4. In 2017, the United States co-hosted the Global Entrepreneurship Summit in India. The *“GES 2017 brings together emerging innovators from 150 countries and empowers women entrepreneurs in particular to take their ideas forward and create new jobs and technologies that will benefit the United States and the globe.”*
5. Additionally, the government has given access to microloans for small businesses.

Even though these are just some of the policies that are being encouraged by the government, what do companies think about him from a business standpoint?

According to a survey carried out by the website 'Inc', to the most influential CEOs of the United States, 71% have rated Donald Trump's presidency as positive for the business environment, most of them agreeing that *“the administration's policies have been good for their businesses”* (Buchanan, L. 2018).

From that same website, we find quotes of some of those CEOs that took part in the survey. Just to mention a couple of them:

David Shields, CEO of Component Surfaces, headquartered in California says:

*“It is a controversial administration and there are a lot of things I don't like about it...But as far as the things that need to be done, they are getting done”*. His company is achieving the best profits so far this year, after 14 years of business. (Buchanan, L. 2018).

Similarly, Robert Rauch, the CEO of RAR Hospitality mentions: *"I'm not a Trump fan, but I like this president from a business standpoint"*. (Buchanan, L. 2018).

For this part of the investigation we can conclude that, leaving aside the controversy that president Donald Trump may bring, he has boosted entrepreneurship since his election, and business owners seem to be happy and pleased (Canal, E. 2018).

### Initiatives/Programs to foster entrepreneurship

For this part, we have selected two organizations that focus on start-up development. However, although they both have the same objective, they differ in the temporal scope. The CAE focuses on what should be achieved, therefore, in future goals and objectives, while the SBA is more focused on helping today's entrepreneurs and businesses.

CAE (Center for American Entrepreneurship), founded in 2017, is a very complete organization, solely focused on boosting entrepreneurship in the United States as a result of recognizing the United States' loss of competitive advantage as the world's leading entrepreneur country.

Its mission is the following: *"engage and educate policymakers in Washington, and at state and local levels across the nation, regarding the critical importance of entrepreneurs and startups to innovation, economic growth, and job creation, and to pursue a comprehensive policy agenda intended to significantly enhance the circumstances for new business formation, survival, and growth."* (CAE, 2017).

They tackle the five most difficult issues that new business creators face, selecting for each of them a series of goals and objectives to be achieved, of which we will show a couple of examples.



**Figure 5:** CAE Objectives.

The CAE perceives new ideas as the *"the basic craft and contribution of entrepreneurs"* (CAE, 2017). Without innovation or creativity there would be no

entrepreneurship, and, in today's economic environment, creativity is more necessary than ever.

The United States was one of the first countries that recognized the critical importance of innovation, introducing as a result a 'Research and Development Tax Credit' in the 90s that permitted business owners to deduct some of the costs from their R&D. This policy is no longer applied due to the losses that the government incurred and one of the approaches taken by the CAE in the 'New Ideas' subdivision, is to get that policy back.

Another example and in terms of talent, the CAE is focused on goals that would attract and retain talent. It states that "*skilled talent is essential to turning great new ideas into viable products and services, and to effectively identify and cultivate markets for those new products and services*" (CAE, 2017). Some of the approaches include creating an entrepreneur visa for foreigners that have founded new companies in the USA and improving the entrepreneurial education since students are young (CAE, 2017).

Now that the Center for American Entrepreneurship has been analyzed, we will examine the policies applied by the U.S. Small Business Administration.

The SBA, founded in 1953, is an "*independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns...The U.S. Small Business Administration helps Americans start, build, and grow businesses... delivering millions of loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses*" (SBA, 2018).

This agency provides counselling and eases the administrative barriers for startups through a "10 steps to start your business" guide, in which they walk through the process of creating a business, from how to carry out a market research, how to decide a legal structure and a name and how to open a commercial bank account as well (SBA, 2018).

Additionally, in 2011 the SBA launched an initiative that further helped and encouraged entrepreneurship in the United States, Start-up America. Participants of the initiative expressed their ideas regarding the issues that today's and the future's entrepreneurs are and will face. The purpose of this was to help reduce the barriers and obstacles for entrepreneurs, in order to lift the United States' entrepreneurial spirit for this generation (SBA, 2018).

The project read under the following news title:

*“The U.S. Small Business Administration today launched an initiative to mobilize members of the current generation of successful business owners to mentor and support startups and entrepreneurs to help them become the next generation of great American companies.*

*As part of the White House’s Start-up America initiative, the Entrepreneurial Mentor Corps (EMC) is aiming to support more than 1,000 start-up and early-stage firms across the country.” (SBA, 2018).*

## Conclusion

The United States’ exhaustive research was done as a necessary mean to set a comparative band, for the rest of the countries that will be analyzed in this investigation.

We need to understand why the United States is what it is and represents what it does in today’s business, economic and technological environment and why it is the entrepreneurial nuclei of the world as of today.

Concluding with the United States, after deeply analyzing those 4 factors, it may be said that the United States as an entrepreneurship booster seems to have it all, or at least seems to have more benefits than drawbacks. In the analysis of the Center for American Entrepreneurship, we have seen that the United States still has a long way to go in order to get back to what they represented before for entrepreneurship. Nevertheless, the results prove that (results being the number of unicorns and startups in the country) with all the difficulties that the country may be facing, it still has that competitive advantage.

### **3.3 ISRAEL**

The second country that will be analyzed for this essay is Israel, particularly the city of Tel Aviv. A country which itself, perhaps stereotypically, may not be the first place you would think of if you were looking for a high-quality lifestyle and, for that matter, not the place you would want to invest in, never mind start your business in.

Regardless of what misconceptions we may have of the country itself, Tel Aviv is rapidly becoming the country with the highest number of startups as of 2018, according to The Guardian (Sheppard, E. 2018) and the highest number of venture capital per capita, reaching \$447 million, which doubles the number of the United States, \$213.

If we looked at the number of unicorns that are headquartered in Tel Aviv, it would not be a striking number, around four unicorns of the top three-hundred most valuable unicorns in the world list. (CB Insights, 2018).

Nevertheless, in this case, that number does not do justice to what Tel Aviv represents in the entrepreneurship world. As a matter of fact, Tel Aviv has a low population of approximately 400.000 habitants, turning those 4 unicorns into a remarkable fact.

Israel has over 6.000 startups and around twenty-six charging ponies (startups with a value over \$500 million), half of which are expected to become unicorns this year 2019 (Cai, E. 2018). Moreover, many people believe that eighteen other Israeli unicorns could also be included in the rank of those three-hundred global unicorns. Those companies, although they are not headquartered in Tel Aviv, do have Israeli founders or other strong links to the city. (Cai, E. 2018).

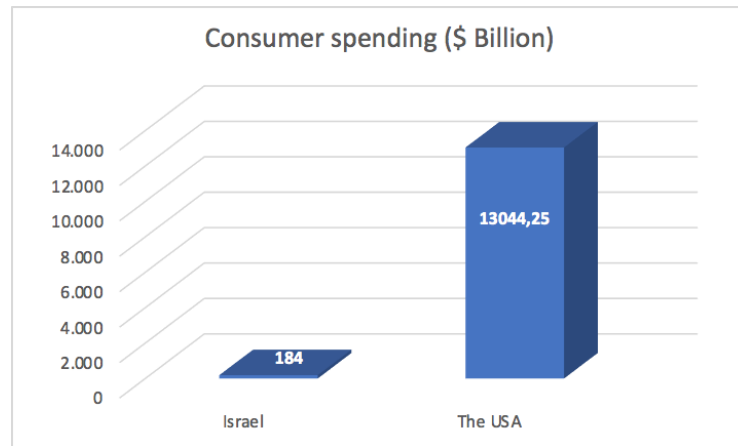
#### Entrepreneurial mindset and culture

Perhaps the difficult conditions that the country has always suffered, whether wars, poverty or very being very prone to cyber-attacks, is what has made its culture so strong. This idea is difficult to see, but let's analyze.

In Tel Aviv and Israel as a whole, there is a clash of religions, a clash of income amongst citizens, and as it is located in Asia but has a large number of links with Europe, we can also find a clash of culture. Some of these conflicts may be the reason as to why Tel Aviv is so specialized in cybersecurity, being one of the cities that attracts the most foreign investment in this sector globally. Subsequently, some people believe that Israel has had to find resources from 'under the rocks' to develop and evolve as a country, which is why they are so innovative and have a strong basis of entrepreneurship in the country.

One of the things that Israel has done to join the entrepreneurial move, is the creation of the cyber technology Silicon Valley in the Negev desert: CyberSpark. Indeed, in a desert with no resources and just sand, they have managed to build an empire for cyber technology companies, which adapts to any needs that entrepreneurs and companies may have and where there is a sharing of know-how, talent and facilities for their ease. As a consequence of their resilient efforts, they attract around 16% of all foreign investments in this sector, with only one country that beats them, The United States.

Leaving aside the geographical factors, figure 7 shows the consumer spending, as of January 2019, in Israel and the United States using data taken from 'Trading Economics' in billions of dollars. The number that represents consumer spending in Israel, \$184 billion, is only 1.4% of the consumer spending in the USA.



**Figure 6:** Consumer spending in the USA and Israel.

The data on figure 6 will be used to create a connection between the size of the national market and a country's push for the internationalization of its companies, this being part of entrepreneurial mentality of the founders. For this part, we decided to contrast the United States and Israel due to their different levels of economic and social development in many aspects. Consequently, it is interesting to compare how, despite these essential differences, Israel approaches the United States gradually.

The importance of this factor for the analysis is key. Due to the differences already mentioned, entrepreneurs in Israel are forced to launch their products directly in international markets by default. The reason is very clear, the existing market in Israel is not significant enough to be able to introduce its products in the national market.

The link between this fact and the entrepreneurial mentality is that, since the beginning, entrepreneurs have to think global and approach consumers they are not used to, while in western countries, the process is the other way around: first the national market and, as a future target, the international market.

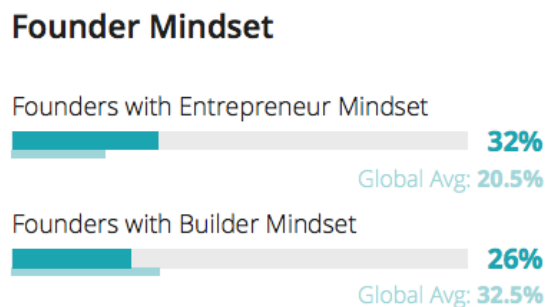
All this results in a culture abundant in innovation and creativity, by obligation, much greater in Israel than in other countries.

This has another direct consequence, the search for high skilled talent. Since CyberSpark is relatively new, companies that are established there are going to be looking



for engineers, businessmen and women, analysts, and more. This has not only created jobs in Israel, but foreigners are also moving there to start a new path in their professional careers, therefore encouraging ethnic and cultural diversity. Diversity is important for the development of a country that offers a strong pool of talent.

The end result, in terms of mindset, of the factors analyzed is shown in the graph below. It expresses the entrepreneurial mindset of the founders of all the startups in Tel Aviv, obtained from a research carried out in 2018 by the team of analysts in ‘Startups Genome’. The report, ‘the Global Start-up Ecosystem Report’ contains information about the countries and cities and their within ecosystem for entrepreneurship.



**Figure 7:** Entrepreneurial mindset in Tel Aviv.

Let’s go back to figure 4, where income categories were shown. Israel would fall under the category of countries with a high income, therefore most citizens that are entrepreneurs would do it for opportunity rather than for necessity. As we can see above in figure 7, 32% of the founders of startups have entrepreneurial mindset. This number may not seem like a lot, nevertheless, if we compare it with global average, there is a difference of almost 12% and if we compare it with Los Angeles, where the Silicon Valley is located, there is a difference of 12% as well in favor of Tel Aviv (Start-up Genome, 2018).

Now we move on to a factor that is defined by the mindset of the citizens, culture. If you search for the key to Tel Aviv’s innovation culture uniqueness, you get a number of articles describing its great culture and its new ‘open innovation’ concept. This new concept is about companies mentoring entrepreneurs and taking advantage of what the country has to offer. Companies such as Facebook, Microsoft, Google and Amazon did not want to be left behind, so they have all set Research and Development plants in the

country. For example, if we look at one of Tel Aviv's unicorns, Waze, it was acquired by Google in recent years.

As mentioned before, Israel's market is not particularly impressive. Foreign companies get established there for one reason, find other sources of innovation outside of their home countries and then export their findings elsewhere. Israel is the right place for that as it lets-off tons of creativity from all the non-exploited resources, whether human or capital, that it has to offer.

According to an article written by Emma Sheppard for the Guardian, it just seems like the perfect recipe for a successful development of an entrepreneurship environment. Similar to the Silicon Valley, the physical proximity of firms allows the free exchange of ideas, talent and knowledge between companies. The government is clearly on board as well as high-skilled workers, companies and venture capitals. The following quote is from the co-founder of Waze, Uri Levine, about the culture of Tel Aviv in terms of startups. Waze, one of the unicorns created in Tel Aviv and now acquired by Google, is dedicated to the development of phone apps such as a very well-developed GPS system:

*“The start-up scene was very good even back then -2008- ...But the ecosystem has matured a lot over the past decade, with experienced angel investors, higher aspirations, and an ecosystem that embraces change”* (Sheppard, E. 2018).

The culture in Tel Aviv is self-differentiated from other countries, including the United States. Whereas many experts agree that the Silicon Valley is losing its competitiveness in this industry, the fact that so many companies headquartered in the USA, are searching for innovation in Tel Aviv and Israel, pretty much says it all. Israelis become entrepreneurs not for necessity, but because they find opportunities and they look to innovate in their daily life, from creating a Silicon Valley in the desert to attracting the most foreign investors and talent.

#### Education:

The second factor that will be looked into in depth is education. In other cities, entrepreneurship may not be the center of the economy, never mind of its education. However, in Tel Aviv, it is at least a very important part of it.

Tel Aviv University International offers short term, study abroad and degree courses solely about entrepreneurship. The following course is offered for summer 2019,

‘Business and Entrepreneurship in the Start-Up Nation’ and they give students the chance to emerge on entrepreneurship from all of its different angles.

The following quote is their course description and it is the knowledge that is commonly imparted through all their similar courses, the longer ones being taught with more depth:

*“Dubbed one of the most innovative cities in the world, Tel Aviv is an amazing environment in which to study business, innovation and entrepreneurship in depth. Beyond Tel Aviv, the State of Israel has more venture capital per capita and more startups than any other country in the world. Historically, Israeli innovation and entrepreneurship has brought the world so many important things including: jump drives; instant messaging; cherry tomatoes; drip irrigation; the world’s smallest video camera that can be swallowed for internal medical examinations; and so much more.”*

It is vital to point out that all of their courses go beyond theory, they offer a lot of practical courses that students can take advantage of, in what they call the ‘Innovation Nation’ or the ‘Start-up Nation’, Tel Aviv. Students can interact with professionals and benefit from their professional advice as well as work experience and trips around the different start-up hubs in the nation.

Aside from universities, there are other educational programs that further promote entrepreneurship in Tel Aviv. In 2001, American billionaire Samuel Zell created the ‘Zell Entrepreneurship Program’ with the following purpose:

*“I invest in entrepreneurship so that students can make a difference - by establishing and advancing companies that create jobs and grow the economy” (Zell, S.).*

A very selective number of students are chosen to begin their journeys in the start-up world. They receive a couple of classes a week from experts in the area and very well-known professionals, the rest of the time they are expected to work in their respective projects; the startups they are creating.

At the end of the course, they present their companies to a series of investors and venture capitals in Tel Aviv and in the United States, where they meet with the founder Sam Zell. According to their website, in the 17 years that this has been in course, their students have founded 124 startups and they have raised around \$800 million (Zell, S.).

These are just two examples of what Tel Aviv is doing to promote entrepreneurship from the educational perspective. We can say that Tel Aviv’s and

Israel's efforts towards the development in entrepreneurship, comes from their early realization of its importance and, as a result, applying it in all the parts of their economy and society, which includes education.

#### Political situation:

The third factor we are going to analyze is the political situation of Israel. As seen in the news, the political situation of Israel is not easy. It is defined by the conflict with Palestine, a long-term fight over a territory that both Palestine and Israel claim as their own. This conflict affects the whole world and some people believe that it is the root of many of today's global issues. Therefore, with issues like this that the government has to deal with, entrepreneurship may not be the earliest priority.

In recent years, the weightiest measure taken by the government is the announcement that, this year, two of the president's research grants (worth around \$42.000) will be given to students that are candidates to enter the cyber security industry. Of course, this links back to the conflict as Israel has been a victim of a cyber-attacks in past years. Although Israel is very defined by its political context, the fact that innovation in the country is very based on cyber security, something very necessary in their conditions, is a factor that contributes to the development of entrepreneurship as the government and private companies have devote capital and time in entrepreneurial matters.

#### Initiatives/Programs to foster entrepreneurship

In 1993, the Israeli government realized the need to create a market for venture capital that invested in startups and to foment the innovation ecosystem. For that matter, they created the Yozma Program, which worked in the following way: The government built 10 funds (each with the value of \$20 million) and they provided about 40% of that value, leaving the rest to be put in by a mixed of national and foreign private companies, in order to allow the inflow of foreign capital into the country too.

Additionally, the Yozma Group created another fund of \$20 million that would invest in small startups only (The Yozma Group). These are just two examples of things that the Yozma Group has done, but the results are unquestionably successful, making Israel the country with the highest number of startups per capita as well as the country that receives the highest number of foreign investments in the world.

Additionally, in 1969 the Israel Innovation Authority was founded in Israel, an agency dedicated to “*provide a variety of practical tools and funding platforms aimed at effectively addressing the dynamic and changing needs of the local and international innovation ecosystems*” (Israel Innovation Authority).

In order to make the process more individualized for each particular scenario or company, they created 6 divisions depending on what the company wants to achieve. These are: the growth division, the start-up division, technological infrastructure, international collaboration, advanced manufacturing and societal challenges. For each of these different divisions, they offer different programs that helps the entrepreneur by offering them funding and guidance to reach that milestone.

Furthermore, they also offer different value propositions directed towards different stakeholders and their needs, for example, the government, entrepreneurs and venture capitals and for each those the Innovation Authority offers help in the form of their particular needs.

#### Conclusion:

After this deep dive in Tel Aviv, the development of entrepreneurship in the city and in the country seems quite exemplary for other countries. Tel Aviv and Israel as a whole, have turned their biggest conflict into their biggest advantage, cyber security amongst others. The programs that foster entrepreneurial paths for the citizens of Tel Aviv encourage the governments of different countries to work together and collaborate. The Israeli government has already funded startups and unicorns along with the United States’ government.

The attractiveness of Tel Aviv for foreign investors, engineers, future entrepreneurs, governments, etc. is the result of their efforts and resources spent to encourage the creation of unicorns, turning Tel Aviv and Israel into the perfect start-up and innovation hub and perhaps a global entrepreneurial nucleus at the current rate they are growing. Perhaps entrepreneurship is the new beginning for Israel and a way to close the era of conflict, through country to country interactions.

### 3.4 NIGERIA

Lagos is the most densely populated city of Nigeria, with its population exceeding 17 million citizens. Hence, being one of the most populous cities in the world, it is difficult to think that there are no entrepreneurs amongst their populaces.

Nevertheless, in the list of the top 300 unicorns in the world created by CB Insights, Nigeria only has one unicorn appear, Jumia, founded in Lagos (CB Insights, 2019). This online e-commerce was valued at \$1 billion in 2016 and it is expected to go public in April 2019, becoming the first African company ever to be exchanged in the New York Stock Exchange (BBC, 2019). Although 1 unicorn may not seem like much, there are only 3 unicorns in Africa, 2 are in South Africa and Jumia. Therefore, if we put the fact into context, that 1 unicorn in Nigeria is outstanding.

Contrary to other countries we have examined, Nigeria's economy suffers from additional external factors that other countries do not have to deal with such as poverty. This year, Nigeria has surpassed India in terms of extreme poverty and thus has become the global capital of extreme poverty, with approximately 87 million people living with these conditions (Kazeem, Y. 2018). Additionally, educational levels are extremely low, not to mention educational entrepreneurial levels which is clearly not a priority. Resource exploitation and neglect by foreign countries that want to have full control of their enviable abundance of resource endowments, also inhibit and make the growth of Nigeria unsettling and declining.

Entrepreneurship in Lagos goes way back in history, before this concept came about. It is important to keep in mind that, for Lagos, the idea that we may have of entrepreneurship is manifested in other ways and such are the things done to promote it.

#### Entrepreneurial mindset and culture

According to research done on Nigeria, around 45 to 65% of the urban labor market works for small firms/startups (Chu, H. et al., 2010 quoting Nwaka, 2005). Therefore, entrepreneurship in the city is a key growth factor, employment provider and economic booster. If we take a look back to figure 4, we see that Nigeria is considered to be a middle-income economy. Nigeria is the top oil producer of the African continent; therefore, the country is very dependent on the revenues of this resource.

Nonetheless, in recent years what is their most valuable advantage has turned into their biggest curse as Nigeria has been experiencing low revenues due to corruption and lack of appropriate management of the petroleum. This has had important impact in the economy, resulting in unemployment and more poverty.

It is that poverty that moves the desire of citizens to become entrepreneurs. Entrepreneurship is listed in the top jobs that people pursue in Nigeria and even though it is a middle-income economy, we cannot say that people start being entrepreneurs for the opportunity, but rather the necessity to survive and provide stability to their families.

Aside from this, there are other motivations that move Lagos' entrepreneurs. The BBC carried out a series of interviews to Nigerian citizens and asked them what their favourite things about the country were, despite of what was said in the media. The results are a series of traits that characterize Nigerian entrepreneurs. They are happy, they are necessarily resilient due to the difficult conditions, they search for opportunities and they are problem solvers amongst other things said. (BBC, 2015). So, they turn their needs into their wants and they try to make the best out of the worst situation.

#### Political situation:

The government fails to exploit the resources that they are so abundant on in an efficient manner that benefits the country, resources such as labour, and unexploited land that could contribute to the development and growth of the economy as well as entrepreneurship (Oyelola, O. T., et al, 2013).

The government's lack of interest, perhaps because of focus on other more necessary and exigent matters, could be the root of the problem in Lagos' entrepreneurial and innovation ecosystem. The difficult access to loans, the high tax rates and administrative barriers that entrepreneurs encounter, the lack of leaders and managers as well as of education, are some of the obstacles that the country must jump to get to the level of development they ought to be.

Nevertheless, it would be incorrect to say that the government is not assisting startups, encouraging their growth and contributing to the attempts of having more startups in their economy. There are a few programs that they have developed since the 90s that aim to the success of such.

In 1989, the Nigerian government launched the New Industrial Policy, which provides a framework to increase the growth of the economy in Nigeria with the purpose of *“increased export of manufactured goods, dispersal of industries, providing greater employment opportunities, improving the technological skills and capacity available in the country”* (Chinwe, E. 2004).

Additionally, in 1972, the government created the SAP, a program with the determination of decreasing the reliance on the exportation of oil, hence trying to avoid the ‘resource curse’, as well as to set boundaries on imports. This would encourage research and the finding of other sources of income, forcing innovation (Chinwe, E. 2004).

Moreover, besides from all the different policies that the government has set, they also offer alternative incentives for entrepreneurship. Financial incentives such as the creation of ‘Development Finance Institutions’, which provide loans and assesses all the different investment opportunities to see which ones will contribute most to the economy, then they invest and offer consultancy amongst other things (Chinwe, E. 2004).

#### Initiatives/Programs to foster entrepreneurship

Aside from all the national help that local startups may receive, there are other foreign programs that incorporate, in their business motivation, helping Lagos’ entrepreneurs particularly women. A high percentage of the total entrepreneurs and business owners in Lagos are women that search for stability as well as for independence and freedom.

According to a study carried out by ‘The Future of Business Survey’, around 60% of businesswomen in Nigeria pursue entrepreneurship to follow their passion, and around 50% to be more independent (OECD, 2018).

The BBC also carried out a study on women entrepreneurship in Lagos and showed the results on a video report. As reported by such report, Lagos has the highest number of women entrepreneurs in the world, yet for them it is very difficult to access loans or receive help from the government. Clearly, conditions for women in Africa are tougher than for men. Companies such as Mastercard are aware of the unfair treatment they receive and offer expert advice from the company experts themselves, as well as training:



*“Despite these and many other inspiring women entrepreneurs we work with in Nigeria, there are clear obstacles to reaching this point of success for many women. Typically, we know there are distinct differences in how men and women are treated as entrepreneurs in many African countries – practices that are frequently damaging to women trying to start and grow a successful business... That’s why our organization – the Youth for Technology Foundation (YTF) – is so passionate about supporting women entrepreneurs.”* - Harry Njideka, President & CEO, Youth for Technology Foundation (YTF).

### Conclusion

Evidently, the investment on entrepreneurship in Lagos, the city with the highest number of entrepreneurs within Nigeria, is not comparable with that of other countries. Whilst efforts for entrepreneurship in other countries may be directed towards the improvement of things that are already well functioning and existent, Lagos is fueled by the motivation of catching up to the rest of the world and be able to exit that poverty cycle they have been stuck on for so long, fixing all the temporary patches in the economy that are implemented, wrongly, for long term solutions. Nevertheless, efforts do not cease, and Nigeria is slowly catching the entrepreneurial wave along with other countries and is now on the top list of start-up nations in its continent.

### **3.5 SPAIN**

The main objective of this study is to understand the development of entrepreneurship in the selected countries. However, we also included within the goals, the deepening in the entrepreneurial environment in Spain, basing our analysis on the learning of the other countries studied, in order to see any areas of improvement that could arise in the study. For this reason, we will analyze Spain in a new chapter.

The areas of most importance will be identified and then followed by a series of recommendations for the encouragement of entrepreneurship in the country. For this part, we will be using several statistical records from the Global Entrepreneurship Monitor 2018, as well as the South Summit 2018.

Spain, as opposed to some of the other cities analyzed, cannot be contemplated as an innovation hub, nor an entrepreneurial hub. Actually, Spain is almost not at all

considered as a top country in any entrepreneurial matters. This is easily noticed in many different occasions. In the case of a Business Administration student, simply by looking at the lack of importance given to subjects such as 'Entrepreneurship', which is not even a course but rather an additional diploma, compared to Mathematics or Microeconomics. In a world that, from an economic point of view, is constantly reminding us the emphasis we must put on the presence of unicorns, entrepreneurship and innovation, it is difficult to understand that in a degree with an economic nature, entrepreneurship is not important.

With a population of around 46 million people, Spain only has 1 unicorn, according to CB Insights, Cabify. With a very similar business model to Uber, Cabify is a very well performing on demand car service with a valuation of \$1.4 billion as of January 2019. Spain being the developed and advanced, in every way, country it is, seems to be left behind in the entrepreneurial ecosystem, having the same number of unicorns as Nigeria and, considering the different environments existent in both countries, it seems dazzling.

According to the Global Entrepreneurship Monitor, Spain has a TEA (Total Early-Stage Entrepreneurial Activity) of around 6%. The TEA is "*the prevalence rate of individuals in the working age population who are actively involved in business startups, either in the phase of starting a new firm, or in the phase spanning 42 months after the birth of the firm*" (IGI Global). Israel has around 15% and the United States of almost 20%, so all of them at least double the TEA rate in Spain. The TEA is the result of a combination of factors that, clearly in Spain, repress the evolution of entrepreneurship in the economy, and therefore must be analyzed.

### Entrepreneurial mindset and culture

Let's start with the business mentality. According to the 'Map of Entrepreneurship 2018', carried out by the South Summit, there is a very specific profile of the entrepreneur in Spain. It is formed by the following characteristics, a 35-year-old man, with a university education almost assured with a 93%, 30% being engineers. Regardless of such, a note to highlight is the growth of the percentage of the entrepreneur woman, increasing by almost 5% compared to 2017, reaching 22% (South Summit, 2018).

Once highlighted the most recurrent entrepreneur in Spain, we will examine the business mentality that exists. As we have done with the rest of the countries, the first

analysis will be centered around the necessity for entrepreneurship versus the opportunities that may arise.

As we mentioned in figure 4, according to the World Bank, Spain is in the category of high-income countries. Therefore, the need to create a company for pure survival reasons is quite low, if not non-existent in most cases, since to assume that it is non-existent in all cases would be an excessive generalization. Citizens begin their entrepreneurial journey because they have the education, the resources and the opportunity to do so, being able to afford absents from their jobs and venturing into the experience. We reinforce this fact by going back to the research of the South Summit 2018, where they stress that, before starting a business, not even 1% of the Spanish entrepreneurs interviewed were unemployed. Therefore, we can conclude by saying with certainty that, in Spain, there is no lack of entrepreneurial mindsets, in fact 61% of entrepreneurs explain their reasoning behind their beginnings in the world of startups saying that it is "*because they always wanted to undertake business*" (South Summit, 2018).

The absence/abundance of leaders with entrepreneurial mindsets is a very influential factor in the development of Spain as an exemplary economy in start-up terms. However, there are reasons that place Spain well below the European Union average of entrepreneurship rates and these reasons may be very influenced and altered by Spain's business culture. We will measure three factors that are symbolic in cultural terms:

1. The fear of failure and of making mistakes
2. The trajectory of internationalization of Spanish startups, as a measure of whether the entrepreneurial environment in Spain pushes startups to become global or to focus purely on the national market, in which case they will hardly become unicorns.
3. Finally, we will examine the public image of entrepreneurs in Spain. That is, if they are considered intelligent and strategic, in other words, high-status, or otherwise.

It is clear that opportunities exist around us, but many times we are not able to see them or, perhaps, we do not want to see them. The perception that one has about your own abilities and abilities greatly influences the desire to start a business. In Spain, although the opportunities are there, the potential entrepreneurs feel that they lack the skills to move forward and they precipitate thinking that it will not work.

According to the GEM report, around 35% of the entrepreneurs are afraid of failure in Spain (GEM, 2018). Despite of the fact that, in the United States and Israel

(there are no records for Nigeria), the rates are approximately the same, fluctuating around 35%, the previously mentioned TEAs for these countries suggest that citizens of these do not set their limits thinking about their fear and lack of ability, but to see the opportunities, as opposed to Spain. If we take the case of Israel, the fear of failure reaches almost a 50%, yet the TEA is of 15%, so clearly the boundaries for Israel's entrepreneurs are not set by their limitations, but rather their positive self-perception of their capacities.

Although the low percentage of entrepreneurship in Spain could partly be explained by the fear of failure, we have to consider the other factors to complement this hypothesis.

One of the reasons for the low number of unicorns in Spain, may come from the low rate of internationalization among startups. In order to use the data offered by the GEM Report, we must stick to its predetermined values for their study. That is, in this case, we will assume that, if more than 25% of the sales of a start-up come from international markets, that start-up may have gone through an internationalization process.

The internationalization of startups is directly related, not only to culture, but also to policies that promote entrepreneurship, administrative barriers, as well as the entrepreneur's ambition to sell outside the local market.

As stated in the GEM Report, the highest abroad rates within Europe come from countries within the European Union. Nevertheless, countries such as Spain and Poland have a rate of less than 10%.

Markets of significant size, such as that in the United States is probably large enough for the startups of the country to begin with, thus reducing the urgency to make an international move. For this reason, the USA has a low percentage of international expansion, hovering around 10%, since internalization is not so necessary for the success of their companies. In addition, due to the size of its markets, the United States represents the target market sought by foreign startups at the time of leaving their native country.

However, this same rule cannot be applied to Spain, since the size of the Spanish market is not sufficiently compelling to justify the lack of international initiative among Spanish companies.

If we take the case of Israel, which, as previously mentioned, seeks international expansion since the birth of its companies due to the nonexistent market it has, Israel has a rate of approximately 35%. Nigeria, for which there are no records of, we assume has a

low international rate because of the difficult circumstances in which they live and that translates into lack of resources, lack of financial aid, difficult administrative barriers and a government that does not assist them throughout the process.

Finally, we will focus on the status that is given to an entrepreneur, which can be either positive or negative. This refers to people's attitudes, as well as perceptions, towards entrepreneurship. Basically, the judgment that an entrepreneur can receive or the 'label' that society gives to that person.

On many occasions, it interferes with the judgment towards entrepreneurship to think that an entrepreneur is born, an opinion that many people hold and that stands in the way of a country having as many entrepreneurs as possible, because if everyone thought so, a lot of today's entrepreneurs would not be.

To examine this, the GEM Report differentiates two indicators. The first is the admiration of society towards successful entrepreneurs in the country and the second is the choice of entrepreneurship as a professional career. This first in Spain is close to 50% and the second surpasses half of the total percentage. Although this number may seem very high, if we compare it with the other countries, it is no longer so. In the United States, the admiration towards the entrepreneur almost reaches 70% and the election as a professional career is around 60%. In Israel, the first indicator passes 80% and the second is above 65%. Although Spain in this sense has no complaint, and clearly the entrepreneur receives a high-status and an ovation from society, we remain behind the countries analyzed and, more importantly, behind most of Europe.

We can conclude that, in Spain, the lack of business culture is easily conceived and that, once again, it remains behind the rest of European countries and the other locations that we have investigated, which are the global entrepreneurial hubs. Therefore, Spanish society needs a small push for the acceptance of entrepreneurship as a way of life and to become aware of the importance it has for the economy and development of a country, but this will be suggested in depth in the improvement section of the study.

#### Education:

Once that part of the analysis is concluded, we get into one of the most determining aspects of a country's success in terms of entrepreneurship, education. For this part of the analysis, we will look at one of the most prestigious universities in Spain, ICADE (Universidad Pontificia de Comillas).

Although there is no denying the presence and imparting of subjects related to entrepreneurship, we must point out that most are either extra subjects, for which the student only receives an extra diploma, or an optional subject, which is not mandatory and remains to the student's choice whether to undertake it or not.

A serious problem in business education in Spain is the lack of practice that is offered to the student. Most, not all, of courses that are given, especially in private universities, are centered around theory. While as we have previously analyzed in the United States and Israel, education is based on practical experience.

A clear consequence of the lack of fostering business by universities, is that most students do not want to create their own businesses after graduating, they want to find a job in a large company. The majority of the students with whom we spoke for this analysis, concluded by saying that entrepreneurship as a first career choice is not an option for now. The lack of creativity, the fear of failure, the disapproval of their families and especially the lack of funding, are some of the reasons that pull students back from the decision to start their own businesses as a first step in their careers.

However, beyond the subjects that are called by names directly related to the entrepreneurial world, such as 'entrepreneurship' or 'the creation of a company', we must highlight the efforts of private universities such as ICADE, to develop not only entrepreneurs, but develop the capabilities, characteristics and values that an entrepreneur may have. For this reason, they give students diplomas for subjects such as 'leadership', 'team-work', 'personal skills', etc. which indirectly encourage the development of future business creators.

Beyond university education, there are other training programs created by private companies and the government, to promote entrepreneurship, creativity and innovation in society. There are two programs that stand out from the others. The first is the CISE (Santander Entrepreneurship International Center). The CISE *"is a center that promotes entrepreneurial spirit and promotes the generation of startups throughout the country. With the support of Banco Santander, the University of Cantabria and the Government of Cantabria it develops training programs, stimulating creativity of people and promoting innovation."* (GEM, 2018).

The Santander bank is one of the companies that invest the most in education in the world, so its support plays an important role through university agreements in different countries, determined to train students in entrepreneurship.

Besides, in Spain we have other high-level organizations that are fully dedicated to entrepreneurial training. *"The Rafael del Pino Foundation was created in 1999 by Rafael del Pino and Moreno, the main objective of which is to contribute to improving the knowledge of Spanish leaders so that they can successfully develop their skills"* (GEM, 2018).

#### Political situation:

Now, we move forward to talk about the political situation of Spain, in regard to entrepreneurship. As in the United States, the Spanish government is characterized by an atmosphere of instability. Since its inception, there is a tense air in Spain that includes controversy and disagreements among its citizens. However, we must analyze whether the government has made decisions that favor entrepreneurship or not, leaving aside disputes and subjectivity.

In the last year's governance, the president was part of the South Summit 2018, hosted in Madrid, where southern European countries came together to decide initiatives that help these countries to promote the development of startups and, in the future, of unicorns, helping Spain and other countries to become the next entrepreneurial hubs.

After traveling to Los Angeles, attending meetings with top businessmen and being able to breathe the innovative air that is there, we were able to President Pedro Sánchez, with conviction, say phrases such that he intends to turn Spain into a *"start-up nation"*, also stressing that *"Spain has one of the best infrastructure networks in the world, has a highly qualified active population, the best fiber optic cable network in Europe and has been a pioneer in the EU in 5G technology"* (EFE, 2018) and was in favor of reach *"lasting agreements, based on consensus to overcome ideological boundaries and reconcile often conflicting interests to achieve the Spain of the next decade"* (Gobierno de España, 2018).

After the South Summit, Pedro Sánchez announced three measures that will potentially make Spain a benchmark as an entrepreneurial country. Those proposals would be incorporated into national budgets from October 2018. These motions are the following, according to the Economist.

1. The first proposal mentioned by Pedro Sánchez was that, *"the specifications of these companies must be recognized from a legal point of view and at the same time, the R +*

*D + investment should be enhanced through tax incentives in the Corporation Tax, in such a way that a greater number of big corporates perceive startups as vehicles of innovation from the outside in".* As we have analyzed previously, the United States and Israel are part of two of the countries that invest more in R&D as well as the countries that receive the most aid from their governments that accept the importance of this development. The legal recognition of the startups would facilitate to the companies the way in a process with so many administrative barriers. (Ortega, B. 2018)

2. Secondly, *"steps must be taken to create a connected network of accelerators and incubators, at the same time they must improve their connectivity between them and increase their number."* The empowerment of startups from the beginning, during and after birth, is key to the success of these companies. Many companies in Spain do not last more than five years due to the lack of financial help, as well as consultancy in all the processes that are initially unknown to the founders. (Ortega, B. 2018)
3. Lastly, *"strengthening of national and international meetings on entrepreneurship"*. The president seeks to make Spain an attractive country for foreign investors. Additionally, an important consequence of the lack entrepreneurial culture in Spain is the getaway of the great pool of talent present in Spain, that leaves to countries like the United States to find the counselling they cannot find here, which is what the government wants to avoid. Both Israel and the United States are both countries that attract talent and foreign investors, especially Israel as we have previously seen. For this reason, in order for Spain to reach the level of those two, this step should be prioritized in the process of change.

For now, in the presidency of the governments within the last decade, all the political parties have marked entrepreneurship as the axis of their governance, promising to take measures that favor it. However, until now, there has not been many substantial changes towards it, and the promises remain in propaganda, causing an annoyance of the entrepreneurial collective.

Reading newspapers, one can find entrepreneurial news titles that start the following way: "the government promises...", "the government intends..." "or the government will try...". Very few articles start with titles like "the government has done...". Despite this, it is worth highlighting a measure that was taken in 2013, the 'Entrepreneurs' Law'. A law that offers advantages to entrepreneurs such as a visa for foreign entrepreneurs, tax incentives, a second chance at entrepreneurship if they have failed the first time, etc.



In the year of Pedro Sánchez's governance, his intentions proved to be pro-entrepreneurship, although we know that from words to action there is a step, we have to wait to see if those actions are put into practice. With these motions, the government would gradually remove the barriers, especially administrative, which are largely culpable for the lack of entrepreneurship in this country and are even more responsible for the lack of motivation that the Spanish entrepreneur has to start a company.

#### Initiatives/Programs to foster entrepreneurship

Finally, we will analyze existing programs to promote entrepreneurship in Spain, starting with the Global Entrepreneurship Monitor Report. This report is presented every year, with the collaboration of organizations such as Santander, RED GEM and ENISA. The purpose of this report, which is prepared with more than 150 experts from across the country, is *"to collect the main characteristics of the entrepreneurial dynamic of our country," as well as "provide key information on the relationship between entrepreneurship and economic development that facilitates decision making."* (GEM, 2018).

Besides, each of these different organizations, which together construct the GEM Report, have its own initiatives. Previously, their approaches to entrepreneurship education were analyzed, however, they also have financing and advisory programs for startups. For example, ENISA is a public company that *"has been actively involved in the financing of viable and innovative projects, driven by SMEs and entrepreneurs. Enisa offers financing through participatory loans and to date has supported to about 5,300 companies with more than 860 million euros"* (GEM 2018).

#### Conclusion

We conclude the analysis of the business environment in Spain with the conviction that Spain, counting on the resources and the necessary talent that it has, is in the phase of entrepreneurial growth. Although the world of entrepreneurship suffered during the crisis, Spain is recovering slowly to what they were before and reaching what Spain could have been. Government policies, the expansion of entrepreneurial education throughout the country and the help of some public companies and other private institutions are some of the instruments that help to eliminate the barriers that have been obstacles for the development of the Spanish economy to its maximum splendor for so long.

## 4. SUMMARY AND IMPROVEMENT SUGGESTIONS

### 4.1 SUMMARY

Using qualitative aspects, we will make a brief general summary in the form of a table, expressing the most important data extracted from the analysis of each country.

	<b>United States</b>	<b>Israel</b>	<b>Nigeria</b>	<b>Spain</b>
<b>Culture</b>	VF	VF	F	UF
<b>Mindset</b>	VF	VF	F	F
<b>Education</b>	VF	VF	UF	F
<b>Government</b>	VF	F	UF	UF
<b>Other initiatives</b>	VF	VF	F	F
<b>Venture Capital</b>	VF	VF	UF	UF

**Figure 8:** Comparative summary of the analysis

KEY:

<b>VF</b>	Very favorable
<b>F</b>	Favorable
<b>UF</b>	Unfavorable

In view of the factors presented in the table above (figure 7), we can draw the following conclusions:

1. The United States has a very favorable environment for the flourishing of entrepreneurship in all its fields.
2. Israel is very close to the United States, remaining slightly behind in governmental issues because of its difficult geo-political situation.
3. Considering that Nigeria is a developing country, it surpasses Spain in many aspects. The government, in issues such as education, has to combat the lack of it before prioritizing the inclusion of the study of entrepreneurship in its educational system.
4. With the good economic and social development of Spain, a country that does not suffer from an absence of resources, neither talent nor infrastructure, it is very underdeveloped in the innovation world, especially if we compare it with Europe.

Therefore, as a result of the results shown in the table, the following chapter will suggest improvements to favor the development of entrepreneurship in Spain.

## 4.2 IMPROVEMENT SUGGESTIONS

Besides the fact that Spain is placing measures for the maximum development of its economy, we must bear in mind that, if the economy is highly dependent on entrepreneurship as it has been well understood now by economists, more drastic measures are necessary for its economic evolution. Measures to ensure that this area gets all the attention and importance that should be attributed to it. For this reason, in this topic a series of measures will be suggested to extrude to the limit the potential that Spain has.

1. One of the biggest complications of Spain in entrepreneurial terms, is the lack of financing that start-ups receive and how difficult it is to find funds. Investors do not always dare to risk their capital for companies that have no assured success, so early stage funding is particularly hard to catch.

Thus, the first measure suggested is to create a **venture capital market** in Spain, boosted by the government. The Spanish government would act only as a catalyst between the start-ups and the investors, whether business angels, venture capitals, private corporations, etc.

It would work in the following way; the Spanish government would create a separate agency and open a capital fund, contributing only a limited percentage of the funds, the rest would be provided by private organizations. Because part of the risk would be assumed by the government, more companies would be encouraged to invest. This action was taken by Israel, through the Yozma program, as previously explained, and Israel is now the country receiving the highest number of foreign investors' capital in the world.

2. Relating to the previous paragraph, as many small companies do not have the capital or the resources necessary to have guaranteed success, investors do not provide them with money nor do they believe in their possible future growth. Therefore, **encouraging investors to put their money in companies that are in their first stage of development** instead of in their growth stage is key.

One way to achieve this would be for the government to offer 'Investment Incentives' for those investors who lend their money to startups. This government policy has already been carried out to get investors to finance local companies, so it could work in the same way but focused towards startups

Although it is complicated, it is important to create an environment of trust and security both for startups and investors. The low number of startups may be a consequence of the lack of confidence that investors have, preferring to spend their capital in a guaranteed success.

3. As a third measure, we will focus on the following data, previously analyzed; less than 10% of Spanish startups become international. If Spain wants to become a benchmark country, the first step is to create a functioning venture capital market, which was measure number 1. If this capital market managed to attract foreign investors, national startups would achieve much greater global visibility.

Additionally, to complement this, the next step would be to get entrepreneurs to see beyond the national market. Today, for entrepreneurs the biggest step and, probably, the ultimate goal, is the **internationalization**. However, if their products conform to global tastes and needs instead of local, that is, they adjust to the global scope, then Spain would have a larger number of startups in its economy.

If we take the example of Israel again, we observe that, for lack of national market, their startups are forced to be launched automatically in foreign countries and, as said before, this has worked wonderfully since Israel contains an extremely diverse pool of talent and investment.

4. The last suggested measure is from an **educational** point of view, considering the importance of this as a tool to develop the economy of a country. Through education, the future leaders, entrepreneurs and investors are created, therefore, the underestimation of its relevance is an error.

While in countries like the United States, Israel and Nigeria (with the few resources this last one has) the entrepreneurial education is squeezed to the maximum in all possible ways, in Spain, the importance given to it passes unperceived.

For this reason, one of the most important and highest priority changes must be an inclusion of practical subjects in the educational system. It is key to emphasize *practice before theory*, being *theory* what is mostly taught in Spain. This would include subjects that oblige the student to leave the classroom and be part of existing projects, or create their own, which can be a great motivator for culture cultivation.

## 5. CONCLUSION

Throughout this academic research, it has been demonstrated the great importance that the government of each country attributes to the development of an entrepreneurial economy, that is, an economy affected by the growth and progress of startups.

A country with a very rich profile of entrepreneurs not only attracts talent, it also becomes the center of interest for foreign investors, thus creating a very diverse venture capital market. In this way, a great visibility at an international level is achieved. Based on the measures that the countries studied adopt in favor of entrepreneurship policies, it is demonstrated that, effectively, the innovation ecosystem created by the startups, moves the development of the economy.

Among the entrepreneur countries, the United States with 158 unicorns, to this day, remains a reference country and a global innovative nucleus. It has a TEA that approaches 20%, which could be attributed to its exemplary behavior in all the factors analyzed, where measures are taken aimed at optimizing entrepreneurship.

From a cultural sphere, there are factors that, although being subjective and abstract, directly affect the performance of a country. From the mentality of the citizen, the acceptance of failure as a means of learning opens an opportunity for improvement and has an important impact on the development of their countries. We reinforce this hypothesis with a figure subtracted from the analysis; In the four countries analyzed, the fear of failure reaches 35%. However, those countries whose TEA is greater than 10%, differ from the rest due to the citizen's ability to focus on their capabilities rather than their limitations.

The fear of failure and risk make the difference between Spain and the rest of the countries analyzed.

Additionally, also from a cultural point of view, the status with which the entrepreneur in each country is valued also influences. In the United States, Israel and Nigeria, entrepreneurs are valued from a very positive point of view and even admired. On the other hand, in Spain, despite admiring who has achieved business success, new entrepreneurs do not count, on many occasions, with the necessary support to succeed.

The reasons for starting a business in a country may vary depending on the different conditions that are given. It can take place purely driven by economic necessity, desire of financial independence or by opportunity.

Culturally, a country that constantly generates opportunities is favoring entrepreneurship, being open to innovation and creativity. On the contrary, a less developed or developing country finds itself with more difficulties when it comes to undertaking, since its main objective is survival. We can indicate as an exception to Nigeria, where the previously indicated factors converge; the opportunity and the need, achieving a business culture based on the search for independence, freedom and passion.

From an educational point of view, those countries that train their youth from university, and offer additional programs that promote entrepreneurship, are countries that will achieve greater development and a distinguished pool of talent.

Spain as regards the training of future entrepreneurs and the development of additional programs, has as an objective, an important point of improvement.

Israel on the other hand, offers in its academic curriculum, a significant number of subjects related to the creation of companies, which encourage learning outside the classroom, through practical programs of real contact with the business world. In the United States, with the experiences offered by universities, which go beyond the theoretical part, it would be sufficient, however, they go further and complement university education with a large number of hands-on programs.

Although all the countries evaluated are characterized by the coexistence with political conflicts of greater or lesser severity and controversy, they all coincide in obtaining assistance from their governments, which use an extraordinary number of resources in favoring business investment. It should be noted that, the governments of the different nations are fundamental promoters when it comes to favoring entrepreneurship. In 2018, the president of the Spanish Government announced three measures that would be taken to encourage the creation of startups. To date, the consequences have not been perceived, time will tell if those finally emerge effect.

Related to the previous paragraph, we emphasize in each country, the different additional incentives fostered by private organizations, as well as sometimes the government itself. Again, we take the example of Israel and highlight the 'Yozma Program', an agency founded by the government to create a venture capital market.

Taking as a reference, the indicator of the success of a country that we set at the beginning, the number of unicorns, we can point out after the analysis seen, that Spain is currently leaning towards failure, since it only has a unicorn, Cabify.

The different political parties are aware of the need to include in their electoral campaign programs the different measures aimed at favoring entrepreneurship.

Spain is on the way to recognizing its shortcomings and betting on favor of a change in the indicated direction. Spain counts with a number of young people who, if they get the necessary financial and social support to invest their time and resources, have the enthusiasm, the desire and, hopefully, the opportunity to start their professional careers in that direction.

Spain has a long way to go, but it is on the right track.

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