

## THE START-UP CONCEPT AND THE ECONOMIC FUTURE OF THE EU AFTER M. DRAGHI'S REPORT

**Abstract:** Recently, the former ECBank president M. Draghi loudly recalled Europe's lagging economic power, but without giving an original approach to reversing the trend, other than increased funding. Therefore, the article is an attempt to critically review the state, but also the unused potential of the EU start-up culture, which can provide a more reasonable and faster response at least to the part of the challenges. Following this direction, a brief comparison between the European and US start-up ecosystems is provided regarding the position and function of the HEIs in them. The data reveals that, in addition to their distance from the success of start-ups in the US and Asia, EU economies are also lagging behind the UK, which is no longer part of it. The pattern repeats when it comes to entrepreneurship education in Europe. Therefore, a direction is outlined for reflection on how to structurally change and improve the quality of the participation of HEIs in ecosystems across the continent, incl. with the introduction of a new look at training and collaboration with external organizations.

**Keywords:** competitiveness; start-up ecosystem, sustainable growth, higher education

**JEL:** F620; O20; O31; O33; O360; P510

### 1. Introduction

Media and less often political talk about start-up culture and its impact and results in Europe's economy has proven to be misleading about the effectiveness of entrepreneurship. The main argument for this is the recent one by former CEB President Mario Draghi (2024a,b). He sharply criticized the inability of the EU to compete with the US and Asia, and what is even more worrying, new concepts are completely absent, and there is already a great delay in solving the problem. The critics of the report pointed out the fact that it was just another alarm on the subject that would not lead to workable proposals, and Draghi only recommended larger spending on entrepreneurial projects. In this context, the paper aims to delve deeper into the roots of Europe's failures to build a stable and efficient environment for entrepreneurship to date. Insofar as it does not develop in a vacuum, the matter calls for a review of the wider picture of conditions in Europe to assess where and how the environment can be improved and developed, and in the near future to achieve this as quickly as possible competitive progress in question. The results of this limited study would be useful for illuminating parts and details of modern economic life that can change the rules and conditions for the realization of innovative ideas and enterprises.

### 2. State of the Problem

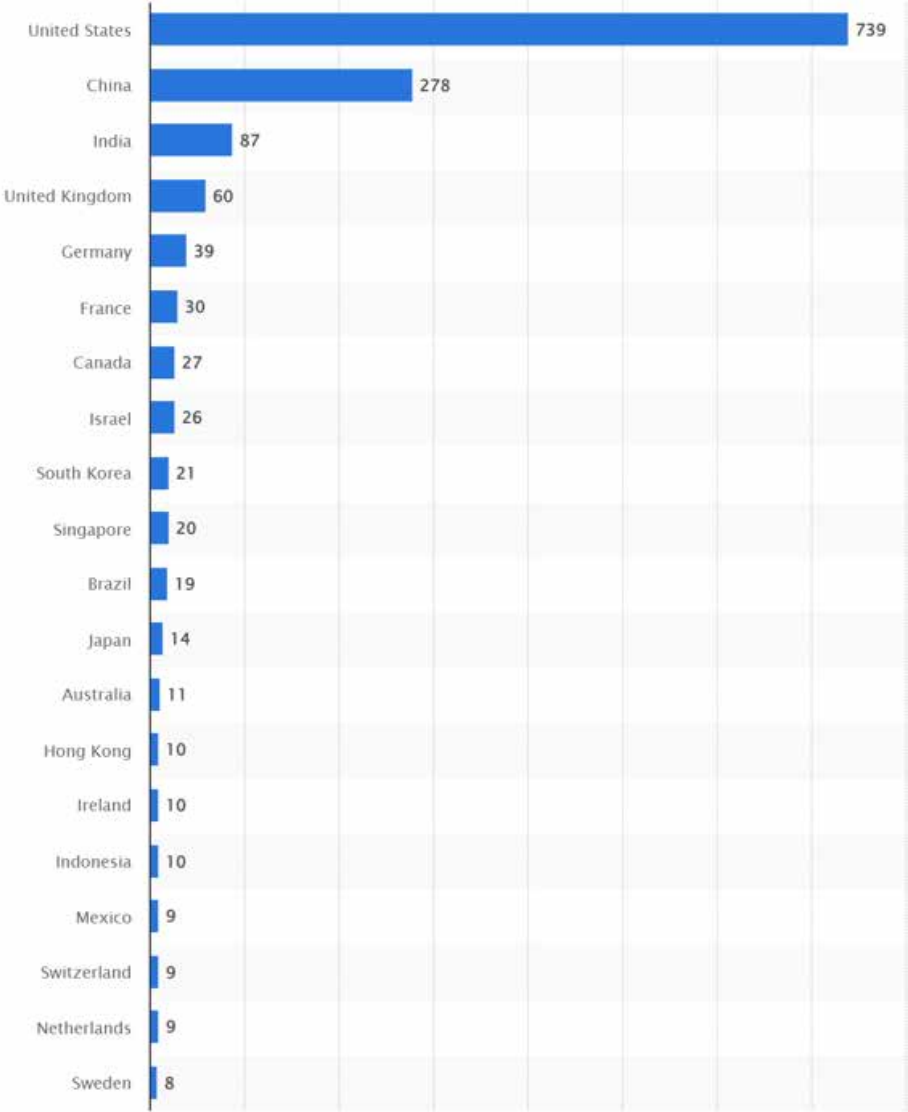
Pointing to start-ups as a „bottom-up” type model for economic development is easier said than done in terms of organization. It requires not only appropriate environmental conditions but also a value system motivating entrepreneurs, especially young ones, to act actively and aggressively in the market. Nothing suggests that the US will lose its leading position as a discoverer of new spheres of value, nor that Asia will slow down. As *The Economist* (2024) underlined, in the current state of the technology landscape, most of the start-ups in AI and battery development require trillions of investments, which are barely affordable in the EU. For example, in 2023 the amount of investments in R&D in one of China's biggest companies in battery competition, CATL, achieved a \$2.5 bill. The most recent data shows (Figure 1) that

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the USA is by far leading in achieving „unicorns” (739). It is followed by China with almost three times lower number (278), and in Europe, the UK stands out (60), Germany has 39, and France – 30. What is also indicative is that in this ranking only a few other EU countries are listed, and they are at its bottom.

**Figure 1. Number of unicorns worldwide (by country), February 2024,**



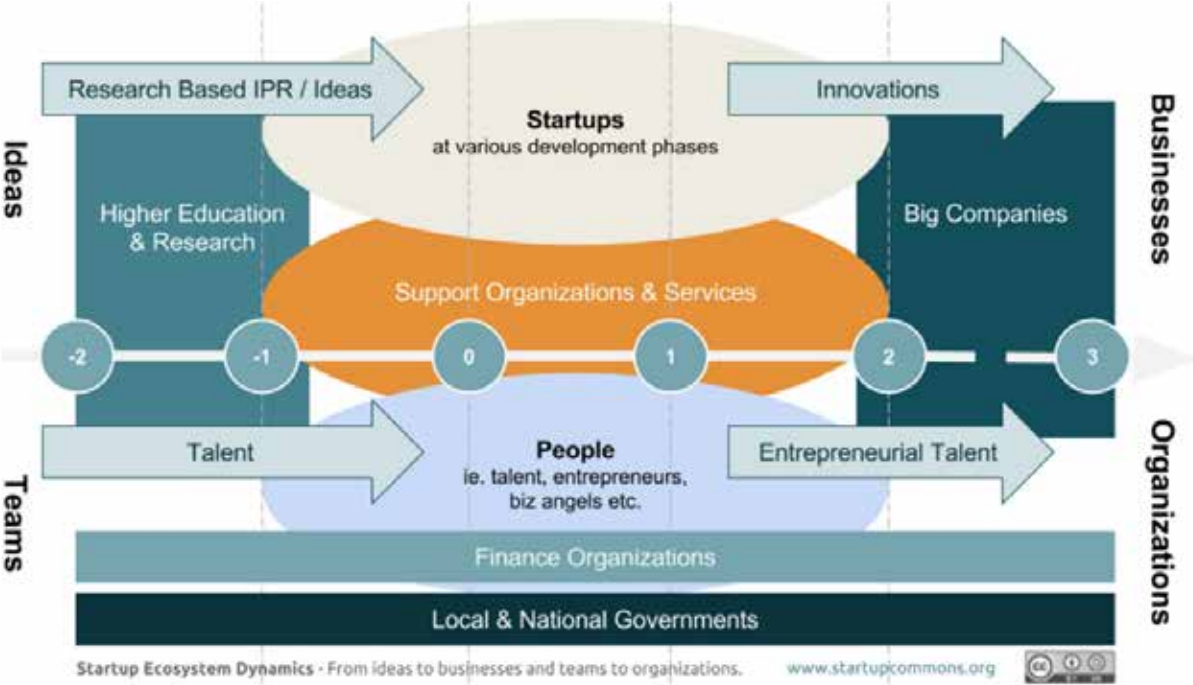
Source: Statista, 2024.

No less important detail is that entrepreneurship is part of the cultural and political, not just economic, development of North America. In the US, entrepreneurs are and always have been pop-culture icons who are not far or away from the country's political leaders. Although some of them do not have a university degree, others have a marked connection with the educational institutions in which they developed. The names of G. Washington (just the first one amongst the list of other 10 US Presidents who were entrepreneurs), John Rockefeller, H. Ford, S. Jobs, P. Knight, B. Gates, J. Bezos, L. Page and S. Brin, E. Musk, M. Zuckerberg, and S. Altman – just to list the most significant ones – are part of the cultural memory and put a human face of the progress of the country through the success of free economic initiative and discovery of new spaces of value. The result of their ideas has so influenced the economic life of the country, and in the last century – the world, that they place them in the very fabric of progress. The situation

in Europe is very different. Probably, the most recognizable name of a large-scale entrepreneur remains to be Sir R. Branson. In other cases, however, business leaders who have created truly game-changing enterprises are hardly recognizable, such as the Inditex and IKEA founders – A. Ortega and I. Kamprad, as well as the team behind SAP and Decathlon, established in the 1970s.

Many voices criticize the EC's policies on funding R&D through its funds, and the results either do not come to daylight or are poorly marketed. As for HEIs as an obvious key link in the chain of stimulating innovation and creativity, only recently and with some pressure, through the European Universities Initiative (2017), the EC set tasks for international networks purposefully to work on student entrepreneurship and the imposition of a culture of innovation (Mundell, 2022). As expected, universities are the places where ideas are born and grow in the initial period (Figure 2), but also where talents in leadership, business modelling, technology and finance can emerge. It is very important that they are real laboratories that allow experiments, clash of concepts and multidisciplinary research.

**Figure 2. Structure and Elements of Start-up Ecosystem**



Source: Start-up Commons, n.d.

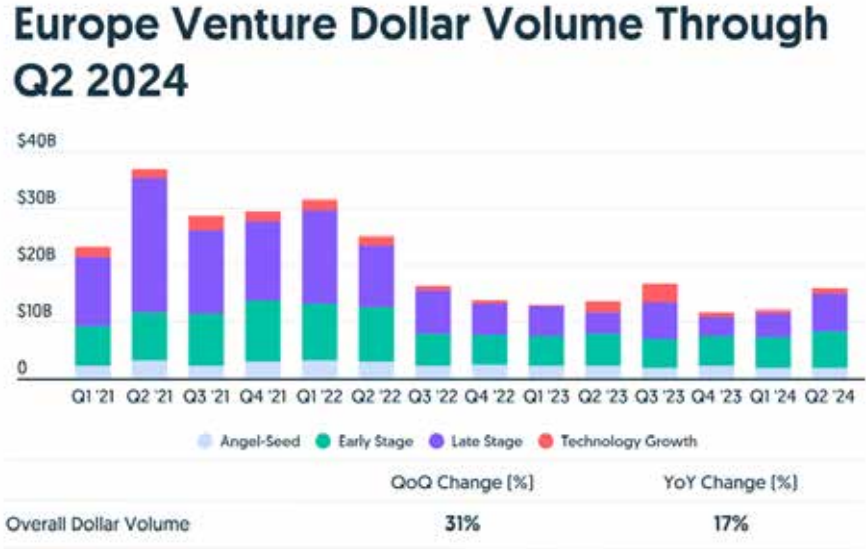
**3. Methodology / Methodological Approaches**

The report is based on working with secondary sources of information that have the most up-to-date on the subject matter, including the EC, start-up consulting agencies and organizations, involved in the ranking of HEIs from around the world. Since the issue requires a comparative analysis, the author has used works and specialized materials, enabling comparisons to be made and reasoned conclusions and recommendations to be made about the possible direction of development of the entrepreneurial environment, culture and stakeholder relations. To accomplish this task, diagrams illustrating the available data have also been prepared. More specifically, we are talking about comparing the start-up environments shaped by the strongest economies of the EU, on the one hand, and the US, on the other, but the global framework has been preserved to make the study more informative.

**4. Research Results**

When we look at the environment in which the above Draghi report appears, there is actually some good news – in the second quarter of the year, Europe (incl. the UK) increased investments in start-ups by 17% over a year (Teare, 2024). The biggest beneficiary is the AI sector (\$3.3 bill.), followed by financial services (\$3 bill.) and sustainability (\$2.5 bill.), where 100 mill. were invested in renewable energy sources. Moreover, for the first time in a decade, Europe surpassed Asia, but still, it has not been Europe’s best (Figure 3).

*Figure 3. Recent Funding Structure in the EU*



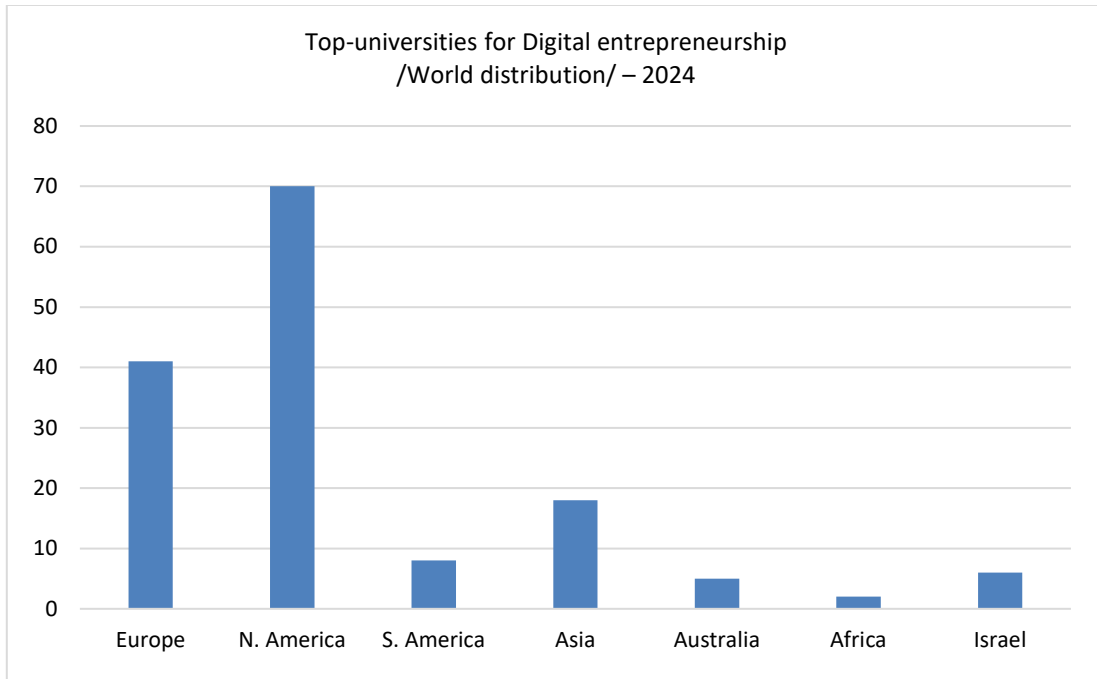
*Source: Teare, 2024.*

Regarding universities that provide risk funds to start-ups, Europe seems to pay more attention to them compared to the US, but the number of operational start-ups is lower (Heles, 2024). Precisely, 40% out of 150 institutions, that are part of the WUR, have access to a dedicated venture fund. In the US, this percentage is 34%, but, in 2021, there were established 32% more new businesses than in Europe. Unlike its North American competitor, Europe has a much more clearly defined multi-university funding system.

As it is assumed, above all, universities are places for intensive research and expert training for new business enterprises. In order to check what are the conditions for offering high quality education in the area of digital entrepreneurship, we used the data from a recently conducted study (Times Higher Education, 2024). The comparison indicates (Figure 4), firstly, that North America offers such programs in 70 of the total 150 HIEs in the ranking and, secondly, Europe, although in the second position, has 40. The remaining regions, even with a larger and much younger population, are represented by a significantly smaller number of such universities.

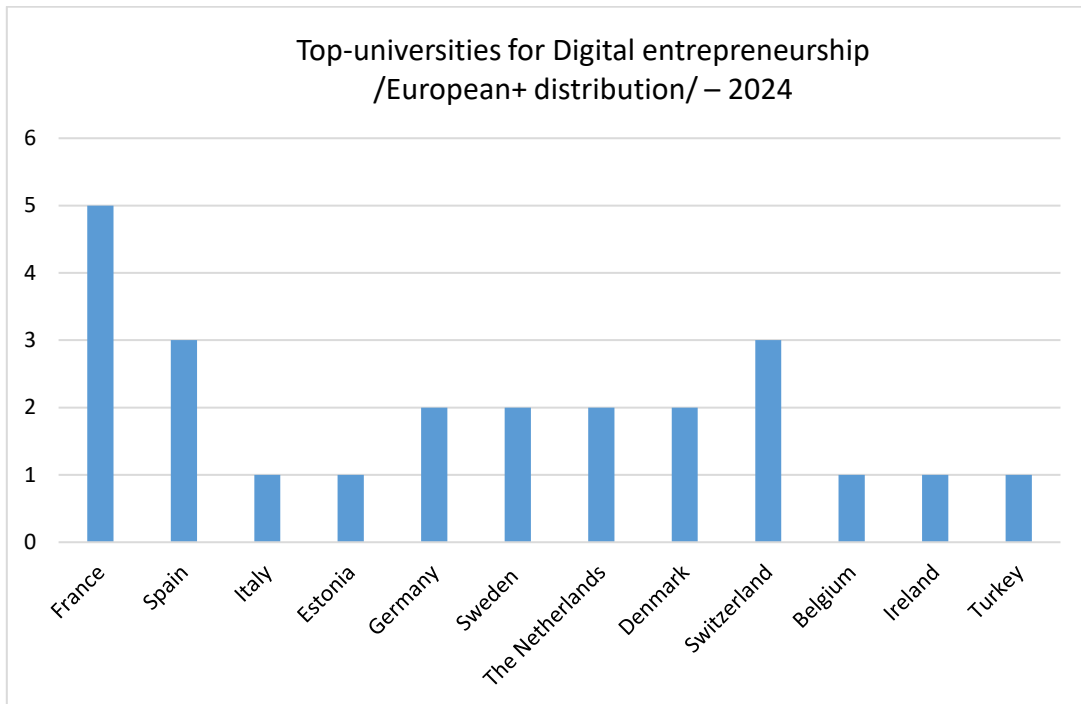
If we look at the distribution in Europe alone and with the UK removed from the list, France, followed by Spain and Switzerland are the most overt leaders in DE education (Figure 5). Apart from these shares, the Scandinavian Peninsula is strongly represented, but we should bear in mind that the UK alone this speciality in 16 universities, which is a significant concentration for a country.

**Figure 4. Ranking of Top-universities worldwide offering DE curricula**



Source: the author based on Times Higher Education, 2024.

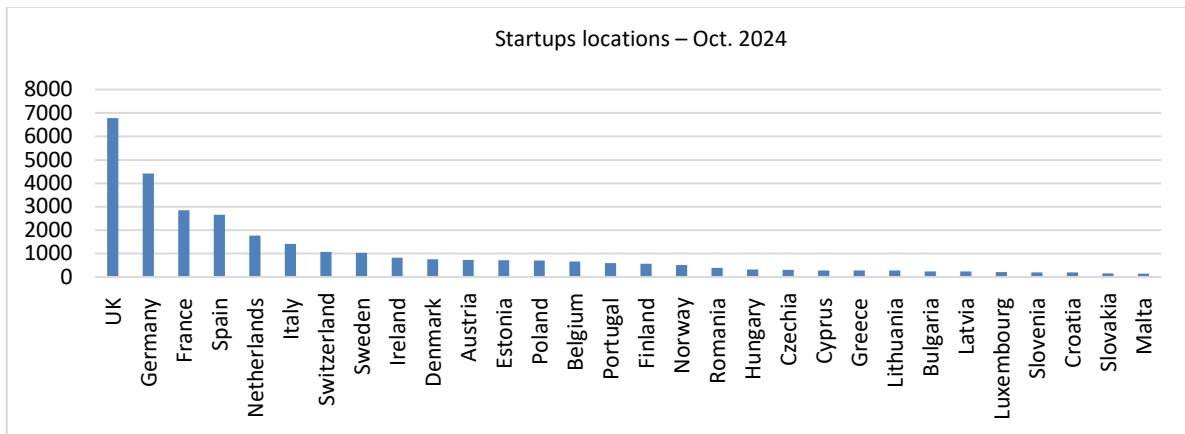
**Figure 5. Ranking of Top-universities in Europe offering DE curricula (UK excl.)**



Source: the author based on Times Higher Education, 2024.

Considering the above, it is no surprise that the UK ranks (Figure 6) very high in the number of emerging start-ups, according to data accessible on the online platform for entrepreneurs EU-Startup (2024). Similar to the information available in the other sources, Western and Northern Europe are significantly overrepresented compared to Central and Eastern regions, which inevitably raises a number of questions about how to strengthen the start-up culture and ecosystems there.

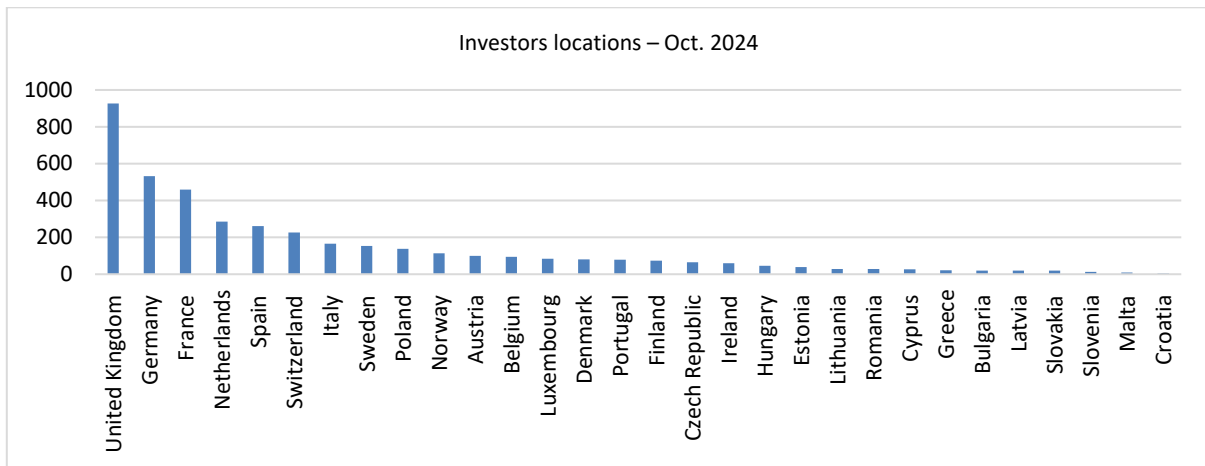
**Figure 6. List of locations of currently developing start-ups in Europe by countries**



Source: the author based on EU-Startups, 2024a.

In the following chart (Figure 7), the list of the investors' locations is slightly different. Aside from Spain and the Netherlands swapping fourth place, and Italy and Switzerland fifth position, it is perhaps more interesting just how far behind Ireland is listed on this metric. The two lists correspond and in the future, if the EC wants to not only rely on its leading economies to be drivers of new business and value, it should pay attention to the obvious imbalance in capabilities.

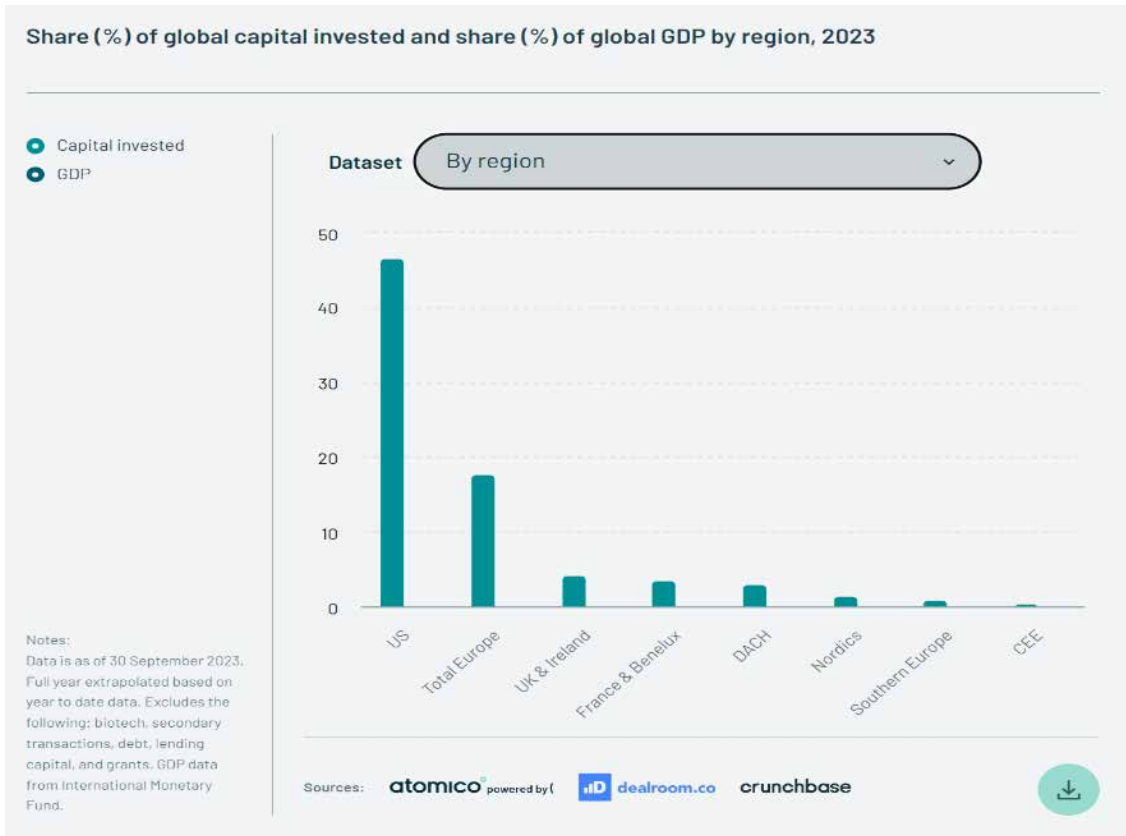
**Figure 7. List of locations of active, potential start-up investors in Europe by countries**



Source: the author based on EU-Startups, 2024b.

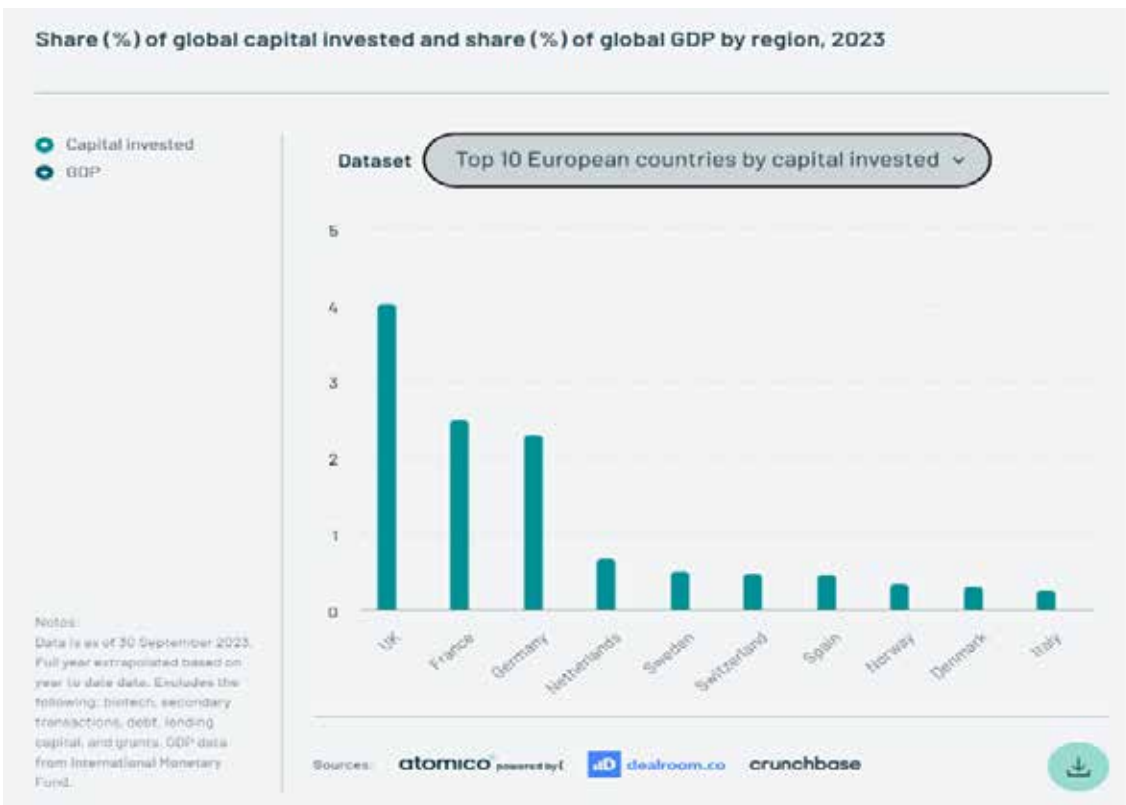
In the same vein, the last two (Figure 8 and Figure 9) charts from the survey show both a comparison between the US and Europe, and within Europe itself in terms of venture capital invested (as for 2023). The situation is not different from the one already presented by the region. „Total Europe” put 39% of the amount of investment in the US, while the UK & Ireland lead only slightly ahead of France & Benelux combined.

**Figure 8. List of locations where the risk capital has been invested the most, by regions**



Source: State of European Tech, 2024.

**Figure 9. List of locations where the risk capital has been invested the most, by countries**



Source: State of European Tech, 2024.



The ten most active economies in investing within Europe are dominated by the UK, with France and Germany far ahead of the other seven (Figure 9). The local politics, economic environment and the state of the latter require a separate study to see what is preventing more investment from taking place there.

## 5. Conclusions

The research made clear that the imbalance of forces in training in HEIs in the field of entrepreneurship, both in regions and in Europe, is quite similar to the unequal distribution of the start-up establishment. Since in the media space „European economy” means „EU economy”, we are able to see, firstly, that the UK is doing much better on its own in creating new businesses, and, secondly, that several of the more powerful countries in the Union itself are disproportionately more successful than many other member states. The UK is also a country where education, both in the number of programs offered and in quality is higher.

At first, the great advantage of the EU over the US, that it can ensure large-scale and regular funding for start-ups, turns into an obstacle for entrepreneurship. The regulations and specific requirements accompanying these projects limit the way of thinking. For instance, as regards the „Green Deal” and all the other UN goals, the goal of funding currently lies mainly in the implementation of ideas for social enterprises and circular economy. There is also no place for technological ones and they are by definition thought of as a priority of business organizations. HEIs can not only create knowledge and give more depth in the understanding of problems, but also quite deliberately prepare entrepreneurs with more relevant skills, i.e. to be more flexible and confident in a highly complex environment, and to apply a data-driven, resource-efficient and problem-solving approach. It can be curricula covering intensive courses in marketing, finance, design thinking, business analysis, project management, organization management, and psychology. The last described task should not be difficult, as long as many years of practice and well-structured knowledge put the framework needed to educate entrepreneurs properly (Blank, Dorf, 2012; Blank, 2020).

In this context, the data to date, trends and good practices in the researched area give priority to the following guidelines for the development and improvement of the competitiveness of the EU economy:

- encouraging risk;
- encouraging the building of more clusters as well as more knowledge transfer channels between start-ups, regions and HEIs;
- diversifying the circle of geographical centres where active entrepreneurship can be developed;
- expanding the range of topics/directions on which to focus entrepreneurial thinking, research and organization (e.g. environment, health, education, food, transport, etc.);
- strengthening the traceability of results (impact);
- providing visibility to successful businesses and the individuals behind them.

However, the limits of the conducted research do not allow a deeper understanding and analysis of some existing internal interrelationships, therefore there remain many and important questions to which an answer should be sought in the nearest possible future.



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