

# **ACROSS THE POND**

How to set up a business in Europe



*This book is dedicated to my wife and  
three other people that also enlighten my life:  
Arnau, Oriol and Pol.*

## Acknowledgements

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## INTRODUCTION

Dear reader:

If you are looking for a guide on “how to do business with” run as fast as you can to the bookstore where you bought this book and return it. There are very good books of this type in the market, written for more qualified people than myself that will drive you to a series of “to do’s” and “ not to do’s” that will make any presentation to your board very successful.

On the contrary, this book is about my personal experience as an European that have been working during many years with Americans setting a European organization for my former company. During the process, I tried to be balanced between my European view and the view of my HQ in the US. I did learn a lot not only about US, but also about Europe. I did travel around Europe bearing an American flag and through the US bearing a European flag. That gave me both sides of the history, and this is the reason why this is a two-sided book. If you are a member of an American corporation that wants to start business in Europe, this will be good reading. If you are an European that is starting to deal with Americans, maybe you will find interesting tips.

You could surely comment that there is a certain unbalance on the two sides: one is more directed to the individual, the other more directed to the corporation. That is certainly true, but I think it reflects the reality: there are many US companies opening subsidiaries in Europe, while there are no that many European companies opening branches in the US, if we exclude the big EU corporations, which I think have money enough to pay for an expensive consultant instead of buying a book . The public for this book is the middle to high executive in a US corporation that is considering crossing the pond and putting a foot in Europe, and the middle to high executive that, either works in a US company in Europe, or his company has been recently acquired by a US corporation, or simply needs to deal with Americans.

Across the book, you will find constant references to *Americans* and *Europeans*.

I accept gladly from the beginning that this is the same as talking about dogs or roses as a generic. A German shepherd has nothing to do with a Terrier, or a bud Rose has nothing to do with a night rose, being all dogs and roses. Allow me this general view for most of the occasions, and I will select the topics where a great divide needs to be done even between Europeans (or Americans). Otherwise, I will try to be general, for the sake of easiness. Again, The Economist, Meryll Linch and many other companies offer excellent guides on how to do business in a defined country.

So, start reading and relax. My only purpose is that you enjoy for a while and get some ideas. They say that no one learns on the neighbour experience, but at least, you will know which the experiences are. This is not rocket science and does not pretend to be so. Ultimately, you must leave yourself be guided by your feeling, your experience and common sense. I am sure that you will be successful.

Llivia (Pyrenees Mountains) Catalonia  
Summer 2006  
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## CHAPTER I

### *GOOD NEWS, BAD NEWS*

*Nobody makes it to paradise with dry eyes*

I always thought that a book should start by disclosing who the killer is, so that you can relax and read through it without the tension of trying to know who killed Miss Smith. I tend to open the last pages of the book just to know the ending, so I can be sure that the writer is doing a good job of keeping me clueless about the final deductions of the world-renowned detective.

In case you are like me, and I hope that among the millions of readers of this book a few *should* be like me, I will open the last page to you: Europe does not exist.

Yes; geographically there is a continent called Europe. Yes; we are supposed to have a political structure that we call European Union (an oxymoron to me) and yes; we are supposed to have a common currency. Let's start with this myth: not all the EU countries have the same currency, the Euro. Only Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxemburg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain are "Euro" countries. The other 16 countries of the 28 still have their own currencies, and for the time looming on the horizon, this will remain as such for long time.

On the other hand, the geographical footprint of Europe has at least three areas: the EU, formed by 28 countries at this time<sup>1</sup>, the area of the countries that are seeking integration with the EU in the forthcoming years<sup>2</sup>, and the countries that are geographically included in Europe, but either do not seek any integration (Norway, Switzerland) or have a long road in front of them to integrate, if they desire this inclusion. (CIS, Turkey).

This is good news in a sense, because as you attempt to conduct business in “Europe” you will not be confronted by a common strategy against your products or services. It is bad news in the sense that you will still need individual adaptation to the local needs, maybe not as much as 25 years ago, but still very significant.

Europe has many differences among its countries, and making you aware of what to expect when you come here to set up your own business is one of the intentions of the book you have in your hands. As I built the European organization for once such company, I became aware of just how well camouflaged and mystical some of these differences can be, and how much time can be wasted in trying to describe or rationalize these within the frame of generally accepted business practices. You will want to know what you will find when landing here, and what you will have to plan before coming. My intention is to help you to plan and to help you avoid the surprises. Additionally, I hope to eliminate some of the endless explanations that your European manager will need to make or to help you anticipate and understand in advance what may have to be addressed. I had to do when I built the European organization for my former company.

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<sup>1</sup> France, Belgium, Bulgaria, Croatia, The Netherlands, Denmark, Italy, Sweden, Finland, Latvia, Estonia, Lithuania, Greece, Germany, Romania, Spain, Poland, Czech, Slovakia, Hungary, Portugal, Ireland, Malta, Austria, Luxemburg, United Kingdom and Slovenia.

<sup>2</sup> Albania, Montenegro, Iceland and others.

## *The not so united Europe*

Sometimes even the Europeans mix the concept of Europe (geography) and EU (political). Europe does not mean EU, even if the EU has increased their size in the last years and will incorporate more countries in the future. There are a lot of countries, maybe not the most important for your business, that are not a part of the EU yet. Your first choice will have to be if, when your strategic plans refer to Europe, you are talking about the EU or you are talking about the whole Europe.

Let's review this topic. The EU has a series of consolidated countries and a series of emerging countries. There are, as well, consolidated and emerging countries outside the EU. When launching a European Business Unit, your initial thinking should be whether you want to address the big established markets, or whether you want to be in all of Europe at the same time. I do not have a black or white answer to this, but I can give you my advice. Start with the big ones, but do not make the mistake of forgetting the emerging ones. Do not postpone the penetration of the emerging markets until you have a solid structure in the large markets, if only because by the time you decide to expand into the emerging markets, it will be too late.

Liken this to the old tale of the two guys that, working in two different shoe companies, went to Africa to check if there was market potential there. One returned and said in his report, "I strongly recommend not to invest in the area. No one is wearing shoes." The other one returned and said "I strongly recommend investment in the area. No one is wearing shoes." Hearing both reports, the choice is yours to make. But take into account that the GDP growth of the former eastern European countries is by far the highest in Europe<sup>3</sup>. Depending on what are you offering, this is the place to be.

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<sup>3</sup> Latvia 5,6% Poland 1,9 % Slovakia 2 % Estonia 3,9% Lithuania 3,6%

Europe has a political integration, an economical integration and free flow of people and workers, especially among the countries that are part of the Schengen treaty<sup>4</sup>, but there are huge differences not only in the social structure and cultures, but also in other issues relevant to your business. There are a few things that make Europe different from country to country.

In my opinion, there are three important issues that make one territory different from another: food, language and taxes. The first one is not the objective of this book, although I can make a humble suggestion: if one of your customers invites you to eat out, and you can make the choice, it is always better to be invited in France, Belgium or Spain, rather than in Germany, UK or Poland. Anyway, I will include a short reference to food and table behaviour in another part of the book.

### *The language issue*

One of the most annoying and unpleasant issues you deal with when you come to Europe from the US is the insistence of the locals to stick to their local languages. Even if among the young generations English is more widely spoken, there are a lot of times that, when you come to Europe when you will find a limited number of people in the street able to speak or understand sufficient English for you to successfully get around. I have been informed that in addition to the UK, in Ireland they speak a language akin to English. Maybe it's worth checking.

The further South you go, the less likely it is that you will find proficiency in English, but in Spain and Italy you will find

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<sup>4</sup> Implementing countries: Belgium, France, Germany, Luxemburg, Netherlands, Italy, Portugal, Spain, Greece, Austria, Denmark, Finland, Estonia, Latvia, Lithuania, Malta, Norway, Sweden, Slovakia, Czech Republic. Other countries outside the EU also participate (Norway, Iceland, Switzerland and Liechtenstein)

multilingual waiters in the tourist areas. You can't hold a philosophical chat about the mysteries of life with them, but at least they will not bring you an omelette when you asked for a steak. German speaking countries are, in general, poor English speakers, and a Frenchman will probably downgrade the communication level to address to you in Frenglish, always showing clearly that they feel disgusted to speak such a barbarian language. I think France is the only country in the world that still resists naming software, software and maintains use of the French word (logiciel).

But, lesson one is to be ready to be confronted by at least 5 main languages when coming to Europe as a company. Authorities have a clear perspective on that: if you want to sell in my country, you need to, at least, provide the instructions and the packaging in my language. If you don't do this, you will have no sales.

Undoubtedly there will be logistical challenges on your side, but compliance is doable. Other companies have dealt with it, so you will be able to do it. As to which is the best strategy? I think that this will widely vary depending on two parameters: the industry you are in and whether you ship from a central point in the US to all of Europe. Also important is how good your command of logistics is.

I have been working in both possible environments. One of my previous employers was shipping from US three different packages and IFU depending on the area of destination. Another company was adding any language as needed to a single, uniform package. As you can imagine, the limit of the second strategy lies within the capacity of the human eye and the product packaging to hold an IFU sheet as thick as a book, containing any European language you might think. Good as a dictionary, but not very useful as a working tool. So, my advice is to segment your packaging, using for this two main strategies: the geographical strategy and the size strategy. Let's see both of them.

If you print your packages in 5 languages (French, English, Spanish, German and Italian) you reach most of the EU population. This will be 70% of your sales, except when you sell very distinct products. You will have to take into account two exceptions. Belgian packages must be written both in French and Flemish (a variant form Dutch, but standard Dutch might work). Swiss packages must be written in German, French and Italian. You have the option of a separate package for Switzerland or you might add Dutch to the 5 languages mentioned above to additionally cover Belgium. The decision can be based on volume of sales in those countries. If you sell bikes, The Netherlands is a primary market because this is one of the most popular transportation so you must include Dutch into the Big five (six). If you sell tulips, the possibility of penetrating the Dutch market is low ( if you want to try, go ahead, but don't ask me to invest money) so Dutch will not be the main language to worry about.

Other languages can be included by area (Nordic, Central European). Portuguese and Greek are outlying issues. These are smaller markets but members of the EU having different languages and in Greece, even a different alphabet. The most obvious solution is to add Greek to the Central European languages.

*To take home:*

A good strategy is to print the package and IFU in 7 languages (English, French, Italian, German, Spanish, Portuguese and Dutch) which will cover most of Europe. A second 7 language set will cover Nordic countries (Danish, Swedish, Finnish, Norwegian, Latvian, Estonian, and Lithuanian) and a third set will cover Central Europe (Polish, Czech, Hungarian, Greek, and any other languages needed).

A logistic effort on your side will be needed, as you will have to work with three different references for the same product, but as mentioned before, you don't have much in the way of options. Europe is a multilingual area. Accept it and you will be fine.

Don't try to rationalize it, consider it a nuance or think of it as illogical. It is like it is and will not change.

The most usual comment I have heard in this area coming from US is "Are you sure we need it?" "Couldn't we just print it in German? It looks so close to Dutch" Well, let me tell you something: one of the worst things you can say to a Dutchman is telling him that Dutch is almost the same as German. Apart from the fact that The Netherlands still holds not-so-sweet memories of the time their neighbours came in uninvited about 60 years ago, their own language and culture are, everywhere and with no exception, matters of national pride. Dutch has nothing to do with German. And even if it might be close to German (which it is only in the most dangerously misunderstood manner) they would never admit it.

I know dealing with a multilingual culture is difficult for someone coming from US. Most of the Americans I know (with several outstanding exceptions) have a command of just one language: English. Some can have a limited vocabulary in other languages, but very few really speak a second language. I cannot stress enough the importance that, if you want to start business operations in Europe, you must make your executives multilingual. It will not be difficult to find European executives speaking at least three languages, and even four. When you come to Europe you will be very limited as to the number of customers that you are able to visit if you only speak English.

I don't expect you to master seven languages, but at least try to learn one more, ideally the one spoken where you plan to have the highest sales volume. If sales will be evenly spread, make your personal selection. Learning German takes years to master, but will open to you the biggest market, learning French will touch the hearts of your French counterparts, and learning Spanish will let you do business in Latin America too. Italian is beautiful and useful when eating out or walking with someone under the moonlight, but in business, I think you have better options in

which to invest your time (except if you are in the fashion business).

As a side comment, if you really want to invest your time well learning a language, you should consider investing your time in Chinese (or Russian depending on your business). We both know why. Listening to Microsoft or Oracle technical support will give you a good command of Indian English if you want to avoid taking Hindu (the second best time investment).