Euromanagement and European Business Environment

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ABSTRACT  
In the last two decades, in Europe there were a lot of different national management models, acting in a specific environment, so-called the European business environment. The more intense integration processes, as well as the influence of globalization, have determined important changes. To speak of a European management is necessary to identify a European identity of the strategies adopted by European companies but also all components of a European identity management system in the businesses. It is necessary to identify specific ways of European decision making, the performance of the management, motivation of personnel, organizational structure, change planning, implementation and evaluation.

KEY WORDS  
European management model, “Unity in diversity”, Business environment, integration process, synergy

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1. Introduction

Can we speak about a European business environment? Is there such a thing as a European management model? A step back into history brings a particular perspective on these issues. The European economic space as we know it was built upon a vision quite improbable at the time - that of the “United States of Europe”. For Jean Monnet, the main architect of the European construction, the ultimate goal was a federated Europe “endowed with efficient institutions resembling the US constitution”. Economic integration was only a first step, albeit a necessary and important one. After 1945, the contrast was sharp between Europe and America. Crisis and devastation on the old continent were all the more striking that the new nation boasted insolent wealth and power. After World War II, moves towards European integration were seen by many as an escape from the extreme forms of nationalism which had devastated the continent. The United States became a model and the unique economic institutions and business practices of that country attracted particular attention. It was in this particular context that the European Coal and Steel Community (ECSC) - ancestor to the European Union-was set up. The plan was to create, starting with coal and steel products, a market large enough to justify the use of 'modern' methods of mass production.
The modernization of individual firms and production processes was to come together with a complete redefinition of interfirm relationships and in particular with increased competition. In time, this would mean cheaper products and was likely to boost up demand and consumption.

Since its origin, the EU has established a single economic market across the territory of all its members. If considered as a single economy, the EU generated an estimated nominal gross domestic product (GDP) of US$16.45 trillion (14.794 trillion international dollars based on purchasing power parity) in 2009, amounting to over 21% of the world's total economic output in terms of purchasing power parity\(^1\), which makes it the largest economy in the world by nominal GDP and the second largest trade block economy in the world by PPP valuation of GDP. It is also the largest exporter, and largest importer of goods and services, and the biggest trading partner to several large countries such as China and India. 161 of the top 500 largest corporations measured by revenue (Fortune Global 500 in 2010) have their headquarters in the EU.

The European market place is both the driver and the stimulus of Europe, as it has shaped and is being shaped by the European ideal. It represents the largest economy in the world, the largest trading partner and the largest donor of development assistance. This market offers opportunities to those corporations that recognize the pros and cons of convergence, and that make the most out of the diversity of cultures, languages, business practices and management styles. At the same time, the challenge for the European institutions is to maintain European developments close to its citizens and to balance a productive economy with social welfare.

2. European business environment

The integration of European economies, the achievement of the European single market and of the single currency (Euro) creates a new economic environment for companies, so-called European business environment. European business environment refers to conditions under which European companies operate, involving a large number of forces that outlines this environment on which companies substantiate their strategy, tactics and daily activities.

European business leaders do not believe in economic recovery. European companies keep their stock levels low and hesitate to increase their stocks, which is a clear sign that there are doubts about the sustainability of economic recovery. Business environment, with its high level of uncertainty, requires organizations to adopt rules of the market games, to take advantage of the opportunities it offers and to avoid threats and own vulnerabilities, dealing with risks. Economic recession has pulled back the economy five years. With the same figures as in 2005, business people see themselves faced with a disastrous landscape. Main indicators are placed at the level of the Romanian economy in 2004-2006. But the atmosphere that dominates the business environment is totally different from that of 5 years ago.

We aim to improve our understanding of how management relates to the European business environment as a contingency factor. In 1991, Keith Thurley and Hans Wirdenius claimed that international companies operating in European countries could, and should, make a strategic choice whether or not to develop a "European" approach or style of management.

After the acceptance of the Treaty of Maastricht, and with the new European Union preparing to absorb applicants from the European Free Trade Association, their claim is becoming

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even more important. Not surprisingly, a European style of management, or "European management," is an important topic for business, business schools, and academic research.

While a growing number of publications have been written on this subject, a brief review of the literature on European management reveals a clear tension between "integration opportunity" and "constraining diversity" issues as a challenging problem for managers in Europe.

The **Europeanization** consists of a series of mutations in all areas likely to lead to a strong internationalization of activities, making its specific competitive advantages. Europeanization is a term that is used in two senses. The first implies the European integration of economies and the development of common policies of EU Member States. Hence, Europeanization is considered here as an advanced case of globalization. Result of Europeanization will be the shaping of a European identity that will reflect the same cultural differences and similarities between countries and other States, in an inclusive vision.

### 3. Euromanagement

The basis of Europeanization is the achievement of gradual convergence of cultural values, institutions, structures and mechanisms operating in Europe. The emerging field of European management model (**Euromanagement**) is not clearly definite in the literature. It can be described as "management in Europe," as opposed to management in North America or in Japan. Or as "the 'best practice' shared by top directors of many of Europe's biggest companies". Another approach is proposed by Keith Thurley and Hans Wirdenius (1989), who address the question, "How far do current and emerging European social, cultural, economic and political aims and objectives lead to a model of management which is distinct from American and Japanese models?" They also stress that "European management should be understood to refer not to current practice but to a possible alternative approach" (p. 4, emphasis in original).

After R. Lessen and F. Neubauer (**European Management System towards Unity of Cultural Diversity**-1993), European nation are divided according to cultural particularities in four categories (after the four cardinal points) for each category there are representative countries. Each of these countries has a dominant cultural feature, leading to some kind of management. For the Nordic countries it's characteristic is thinking, being a specific bureaucratic culture, oriented knowledge, strategic planning, managerial control, long-term forecast and a manager who focuses on change.

Countries of Southern Europe, which is representative of Spain, the essential characteristic is to share values of social affiliation, human resources, which usually does a visionary manager. Countries in Western Europe, UK is representative, are characterized by perception, culture with a commercial bent enthusiasm, action, entrepreneurship, short-term perspective and a manager with leadership qualities.

Eastern Europe is characterized by intuition, with an industrial culture, bent work ethic, appreciation of art, work discipline, long-term perspective and a manager architect. Calori and de Woot (1994) looked for common characteristics of management across Europe on the basis of interviews held with top managers of forty large international companies with headquarters or major operations in Europe. They found four common characteristics of management that were distinctive in Europe in the sense that these characteristics differentiated management in Europe

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from North America and Japan. In their view, such common characteristics are the ingredients of a European management model. These are the four basic characteristics of a European style of management: (1) an orientation toward people, (2) internal negotiation, (3) managing international diversity, and (4) managing between extremes.

**Euromanagement characteristics** were highlighted by J.J. Van Dijick in "European Management Journal, vol. 8 no. 4/1992:

- The Ability to meet the European business environment and the specific cultural complexity, socially, politically and economically;
- The ability to imagine, create and lead new forms of activity, type "Task Force" type, meaning the network-commando centered on achieving or coordinating certain tasks or units, that go beyond borders and connect cultures;
- The Ability to lead the staff to focus regardless of its cultural values, in order to achieve the mission(task) and corporate identity;
- The ability to obtain support for their activities in other countries in the company 'shareholders' national;
- The ability to accept and operationalize transnational mobility, making European career.

Although the European integration process of the last decade has facilitated the need to work across national borders, firms are still confronted with various important and structural forms of diversity in terms of intra-European differences in preferences, habits, languages, and cultures ("Nowhere do cultures differ so much as inside Europe," writes Trompenaars [1993, page. 8]) that are inherited and seem to resist change.

An European management model can be defined as a **model of diversity management** that can provide features and even a European identity for both euromanagers and model the performance of the management. European business is composed of varying political, economic and social influence and attitudes of management guidelines. To speak of a European management is necessary to identify a European identity of the strategies adopted by European companies but also all components of a European identity management system in the businesses. European Management as a diversity management is distinguished from other management systems through other features of the most important are:

- Strategies to other European countries - European management involves the design, development and implementation of strategies at companies that exceed the scope of the objectives and expected effects of country borders, so to expand to other European countries. This means that euromanagers must consider a broader range of interests, to consider several European countries and companies to consider as main competitors outside the EU.
- Diversity and complexity of cultural, social, economic and political – euromanagers must have the ability to understand and interpret the complexity and diversity. Unlike managers in other contexts euromanagers must receive differential training.
- Identity based on European values - this identity involves promoting cross-cultural communication, cross-cultural exchange and learning.
- Horizontal coordination, decentralized - companies must be organized on the basis of decentralization that are coordinated horizontally so can reduce as much hierarchy and leadership of the centre. A centralized management would establish numerous problems accepting and not accepting of that centre.
• Emphasis on elements such as informal - a European management should focus on elements such as informal, the establishment of informal working relationships (meetings, conferences) and create teams of specialists to lead activities at European level.

• European mobility of human resources - professionals and managers to achieve European career from a flexible intercultural training.

• Attractive targets for local interests, national and European - the acceptance of reality that there are various interest groups within and outside the company.

When we speak of a European model of management, we tend to think of an alternative to the management of U.S. and Japanese management, which is based on a certain specific culture, relatively homogeneous. The specialists draw attention that for Europe is no appropriate a cultural model of management, such as Japanese because the European context is characterized by great cultural diversity. However in Europe there is a prevalent humanist idea that progress should serve man and not vice versa.

Europe is a region of great cultural diversity, and therefore requires a management system combining the concept and practice of management of European organizations in a common cultural pattern, a reference for the European area. In this respect Euromanagement, said the discipline of study in the 1990s, is not just a regional customization of compared management or intercultural and interregional. Euromanagement covers a complex reality: management concepts and practices of the firms, European Organizations, which are claimed by a common European model (Burdz, 2006, p 279).

In the last two decades, in Europe there were a lot of different national management models, from which the French model and the Rhenish model were leaders. The more intense integration processes, as well as the influence of globalization, have determined important changes. But will the economic integration processes be enough in order to outline a European management model?

The French Model is based upon the important development of the state administration in companies and upon the symbolic power of its actions. The French companies keep close connections with the state. The organization is based, mainly, upon a centralization of the decisions, establishing a unique management and maintaining order and discipline. The leadership style is straight, and the statute of the manager is alleged distinctively7.

This model cumulates a strong hierarchical distance and avoids uncertainty. The hierarchical organization is based upon a reward-penalty system that encourages dependency connections and renders the individual to conform himself with the rules established by the organization. Complying with discipline is essential for the well functioning of the organization (subduing to the authority, obedience, assiduity, respect). According to this management conception, the oneness in management occurs like a mean of stabilizing the organization and limiting the derive risks. According to professor Ioan Mihuț4, the French management is characterized by the authoritative style. The French managers (les cadres dirigeants) act through specific behaviors to the authoritative-well-wishing, that presumes consulting a restricted circle of advisers in order to substantiate, on scientific bases, the decision but as well as for adopting it in an individual manner. The work relationships in France are very formal, often impersonal and of a hierarchical nature.

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The Rhenish Model is traditionally applied in Germany, Switzerland and Benelux. The Rhenish capitalism integrates, at its bases, an intense participation, social rules, the protection of the individuals, eliminates the striking inequalities. At the company level, the correspondent of this system is “co administration”. According to this model, the managers and the shareholders and the specialists participate in an equal manner at managing the company and seek for a general consent of interests. The companies represent a real community of interests between the capital holders, the management and the employees. The Rhenish model is based upon concentration on long term and is described through stable shareholders and participative professional relationships. The actual consequences of this organization system are the consistent remunerations, small differences between the employee’s salaries in other places, a different career structure and a specific professional forming system. The salary is considered the basic material stimulus for the employees of the German companies. The German management uses many forms of stimulating the growth of incomes based upon merit and performance, assigning them to the manager and to the employees.

There are other features that differentiate the German management from the management in the Anglo-Saxon area, for example. Some researchers might say that the Germans hold a weaker approach of the management. The Germans are focused upon the objectives, are hard working and will accomplish their tasks seriously, but they are not that well trained as their Anglo-Saxon homologous in recognizing that there exists something separable that may be called “management”, that someone may use in other domains, analyze and generalize. They will have to remark that there are some management elements in most jobs, than saying that management is a specific job, with an independent dynamics.

Can we speak about a European business environment and about a European Management Model?

In spite of numerous differences, Europe, seen from outside, may seem as a homogenous block, similar to the North-American or Asian block. Europe has developed many managerial features that differentiate it from the management of other geographical regions. Particularly, the European companies are situated at half of the way between the North-American or Asian influences: the European company is an organization that has as finality the economical growth and the profit, but which grants an important position to the development of the human resources.

The functionality of European Management Model is dependent on the synergistic action of the fundamental elements that define it (European culture, European business environment, national management models, the education, the Europeanization, democratic political systems, legal and competitive economic environment).

The challenge for the European management is to favor the company’s growth, keeping an eye upon enrolling it in a social approach. The European culture is marked by the role of the politics in the economy and by the importance of the social dialogue, even though this appears in a more natural way in Scandinavia and in Germany than in France or Italy (where the conflict is often previous to negotiation). The Europeans prove to be, in their great majority, opened minded, receptive to debates, to the confrontation of ideas and respecting diversity, which is

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consider to be a specific and enriching element. The European companies, after many years of American hegemony and attempts to build a united Europe, have today the means to prove their own identity marked by a management between two extremes and respecting its diversities.

4. Conclusions
We consider the viability of the European management model is dependent on the success of the EU on economic and social level, in the conditions of the global economy and competition, which can be achieved according to the principle: what is good and accepted in a particular national model must be maintained and generalized by adapting to others and what is unsustainable and damaging should gradually disappear through a process of homogenization without excluding “unity in diversity” in the EU.

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