

## Management trends in the EU: three case studies

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### Abstract

This paper reviews the literature concerning the degree to which a universal European business management model exists now and is expected to develop in the future in response to European Union (EU) influences. The experiences of business organizations in Austria, Germany and Poland are presented as case evidence that the EU experience will increase the homogeneity of business management practices. The authors collected case study materials as part of an interdisciplinary project concerning EU enlargement. Outcomes include: a better understanding of business management during a period of EU growth in size and influence; and case materials for college level international business courses which highlight the cases discussed in the article.

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### Introduction

With increasing monetary integration, the relaxing of international trade barriers among members of the European Union (EU), and the interest of EU membership by European countries, the question of the compatibility of international business management practices has become crucial. In an effort to determine if business firms of Europe will develop more homogeneous management practices as the intensity of trade and other forms of cooperation increases, extensive focused interviews were conducted with the executives of business firms in three countries. These countries represent different stages of involvement and membership in the EU; Germany as founding member, Austria as a relatively new member and Poland as a country which has applied for membership and expects to join within the next few years.

The three firms which are discussed represent a variety of applied science industries. Hypotheses concerning the development of a unified European management model were drawn from the work of Calori and de Woot (1994) and became the guides for data collection and analysis.

### Conceptual background

One major underlying assumption of this research was that the existence and development of the EU will have a relevant impact on the relationships between firms, both within and across the EU boundary. There is ample theoretical and empirical evidence that such an assumption is warranted. Particularly since the major integration efforts initiated by the Delors Commission in 1985 and implemented under the Maastricht Treaty beginning in 1992, the EU has adopted a coherent, well-publicized program of increased cooperation among member states. The "EU-92" plan added two pillars to the well-established economic foundation of the European Community (EC). These two new pillars were Justice and Home Affairs, which sought to expand social policy coordination, and Common Foreign and Security Policy, which is a fledgling attempt to develop a consensus foreign policy and defense strategy for the diverse EU nations. The year 1992 also saw a serious and concerted effort to stabilize the European



Monetary System (EMS) through the introduction of a single European currency, the euro. Preparation for the euro's introduction in 1999 has required even more closely coordinated fiscal and monetary policies than the EMS did.

As the 15 EU nations became increasingly integrated through the development of such policy coordination, it was natural for homogeneity to penetrate through to the private sector. Moreover, as young Europeans become educated in a world in which the supra-national EU is dominant over nation-states, high school and university graduates in western Europe are beginning to view themselves as European citizens first, with national allegiance only an afterthought. Clearly, as these individuals begin to dominate the management ranks over the course of the next two decades, cultural differences that have long dominated Europe will begin to erode the country-specific management practices that have defined post-Second World War European business.

The next question, then, concerns the expected nature of these relationships in many different terms: ethical, financial, effective/efficient, political. And the answer to date seems to be a guarded, "it all depends." That is, it all depends on the nature of the contingencies, and their interrelationships, faced by the firm. One such contingency, which is believed to be of crucial relevance, is firm level management practices. Finally, one key aspect of this contingency is the degree of commonality between/within nations in terms of business management practices.

A second assumption which underlies this project was that greater commonality of management practices leads to more productive interfirm relations, hence greater economic development prospects for Europe and the EU. The utility of universal management principles/practices as prescriptions as well as descriptions has a very long history of debate. On the side of universality, the "one best way" tradition, have been Adam Smith, Henri Fayol, Frederick W. Taylor, Max Weber and Herbert Simon. On the side of uniqueness, the "no one best way" tradition, have been Chester I. Barnard, James Thompson, Elton Mayo, Joan Woodward and John Child. Perhaps there is a third position, the "we don't know for sure" tradition which has influenced much of the work of management

experts of the last two decades, such as Henry Mintzberg, Tom Peters and Stephen Covey.

In terms of the specific case of Europe, however, and the question of the extent of diversity in management, the conventional position is that there is currently "some" – a key element of the European tendency to take the middle ground (as will be seen below). Clearly, the work of Hofstede (1991) and Lawrence (1991) demonstrates that there are psychological differences along the lines of individualism, masculinity, power distance, uncertainly avoidance, mobility, generality and hierarchy. The research of the European Round Table of Industrialists (ERT) in collaboration with the Groupe Ecole Supérieure de Commerce de Lyon (ESC), in which there were intensive interviews with "51 top managers of 40 large international companies with headquarters or major operating units in Europe", drew the same conclusions, as reported in Calori and de Woot (1994). Specifically, the UK is distinguished from the rest of Europe which is divided into South and North. South is divided into France and others (Portugal, Spain, Italy); North is divided into Scandinavia and others ("small": Belgium/The Netherlands/Luxembourg; and "Germanic": Switzerland/Austria/Germany).

### **The common European management model and central hypotheses**

The following five characteristics represent a summary of the views of the directors interviewed in the ERT/ESC study when asked to describe the "ideal profile of the European manager" (Calori and de Woot, 1994, p. 237):

- (1) Ability to involve people:
  - communication skills;
  - skills in psychology;
  - capacity to work in teams;
  - capacity to coordinate and to motivate.
- (2) International skills:
  - international experience;
  - competence in several languages (three minimum);
  - geographical mobility;
  - global thinking.
- (3) Flexibility:
  - aptitude to manage change;
  - aptitude to manage diversity;

- tolerance to ambiguity and uncertainty;
  - capacity to learn (self-evaluation, openness).
- (4) Intuition:
- creativity;
  - ability to innovate.
- (5) Broad vision:
- aptitude to have an interdisciplinary view;
  - deep understanding (social, philosophical, ethical).

A similar set of characteristics was given by the European Round Table of Industrialists concerning common characteristics of European management (Calori and de Woot, 1994, p. 31). These are seen as inclusive of the ideas presented above and are as follows:

- Orientation towards people (ability to involve people).
- Internal negotiation (broad vision, intuition).
- Managing international diversity (international skills).
- Managing between extremes (flexibility).

This set of categories is the basis for the “common model” which was used to assess the relative rate of adoption of common management characteristics by the three firms discussed below. The following hypotheses were established as guidelines for drawing conclusions concerning the relationship between involvement with the EU and adoption of common management characteristics, as discussed above:

- H1.* The greater the involvement of a country in the EU, the greater the similarity of management practices of firms in that country to those of firms in other high involvement countries.
- H2.* The greater the involvement of a country in the EU, the greater the similarity of management characteristics of firms in that country to characteristics which theory suggests will enhance the success of the firm and, in turn, the success of larger economic systems.

### The research project

This research was supported in part by the US Department of Education and as such was

intended to be a pilot project for more specialized industry-focused research and the development of educational materials. The four members of the researcher team and video professional conducted intensive interviews on location with the chief executive officers, and various staff members, of three companies as discussed below. Extensive tours of company facilities and opportunities to observe operations were provided. The research team was interdisciplinary (management, history, economics, geography). After a year of preparation through meeting with country political and economic experts, extensive reading and briefings with EU staff members and officials in Brussels and officials of the governments of Austria, Germany and Poland, the business interviews were conducted during the month of May 2000.

The three companies were selected because of their similarity of involvement in scientific, technology-intensive, custom production work and extensive growth over the period of 1990 to 2000. Specifically, the three companies were in the fields of biomedical testing (IMMD in former East Berlin), automated pneumatic machinery design (Festo in Vienna) and horticultural species propagation (Clematis in Warsaw). All three of the companies developed their present operations during the 1990s, can be characterized as “entrepreneurial” in their orientation, are small in size and structured with few business lines. These are the types of firms that are expected to grow dramatically in the “new economy” of the EU (see Premus, 1982). The companies are self-insured and experience very large social benefits payments.

The development of each of these companies, as with all organizational efforts, was somewhat unique yet their development paralleled one another and, especially, the involvement of their home country with the EU. IMMD and Clematis are quite similar in that they are small and still extensively influenced by the founding entrepreneur, whereas Festo is one of several hundred quasi-independent units of a global company. Yet, the mission of Festo since 1982 has been quite exploratory and entrepreneurial in that the parent company has given the firm a very free hand to develop customers and specialty products for Central and Eastern European markets.

## The case data

Festo-Vienna was opened in 1952 as a facility for the routine manufacturing of machine products, but in 1982 and again in 1989 its mission changed dramatically to be a Eastern/Central European market prospector and custom manufacturer of pneumatic driven piston machines. The company finds that Austria's recent membership in the EU has not directly affected operations – rather they expect that other, less experienced, firms will look to them for a model of how to do business in Central/Eastern Europe.

Dr Gunter Furnsinn is the General Director of Festo-Austria and was the primary interviewee and source of information about the company. He points out that while the parent company is German, this independent division is quite different in outlook and orientation as he noted that the German parent is quite martial, much like the USA and the UK, whereas in Austria the company is more congenial and engages in give and take with more of an organic orientation. Their major focus is on the customer which is a point emphasized over and over by the interviewee and in the literature produced by the firm. Customer surveys are an important marketing tool. And interpersonal relations are far more important than formalistic interfirm connections in doing business in Austria and with the rest of Europe.

A great deal of pride is attached to ISO 9000 certification along with the explicit use of total quality management techniques. A key element of their sales activity is the “didactic” function in which they provide extensive training for customers who purchase Festo products. Because of the history of the country (the influence of the Hapsburg Monarchy) and its physical location (the center of Europe) the firm is well suited to deal internationally, both east and west. An essential element in dealing with firms of other countries is the use of compromise which enhances the advantages of the EU. Also, in terms of dealing with firms in Eastern Europe, “mutual understanding” with the “right friends” is necessary. These themes are reflected in company literature:

With Festo-Austria one associates also the traditional partnership with the neighbours in Central- and Eastern Europe. The first joint-venture foundation dates back to 1982. Today, 100 percent daughter companies of Festo-Austria with a large number of sales offices and

automation centers are actively in charge of the markets in Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine. Of course, you can choose from the complete Festo delivery-and-service range: Industrial automation technology with the programme Industry-Pneumatics and our field of Cybernetic-Systems business, completed by basic and continuous training programmes of Festo Didactic. Customer satisfaction is a major objective for Festo and customer proximity is an essential part of our corporate strategy. Our customers can, therefore, rely on our competent counseling on the spot also in Central- and Eastern Europe. The extensive network of technical consultants with their strong back office, the comprehensive range of seminars in automation technology offer you an information lead. All countries offer you well sorted stores, many of them fast assembling cylinder services and control cabinet construction, some of them even an own production. The computer-based order processing guarantees a fast on schedule delivery to our national and international customers. With our Pneumatic and Cybernetic Engineering know-how coupled with the organisational prerequisites we want to further develop the cooperation and partnership with our customers. Because, we are wherever our customers need us to be.

Clematis began its operations in 1989 as a producer and wholesaler of varieties of clematis – vine-like flowering plants used primarily for decorative accents in garden and park settings. The company has been, likewise, a prospector in the development of a customer base in Western Europe and engages in significant species propagation. The firm's initial growth leveled off in 1996 but expects to expand dramatically as Poland becomes closer to full membership in the EU, although the generally higher business standards will pose some barriers.

Dr Szczepan Marczyński is the president, founder and co-owner of the firm and was the primary interviewee and source of information about the company. An extensive marketing program has enabled the firm to develop fairly rapidly through providing customers with advice about the technical requirements of the products and developing shared transportation arrangements. The owner is extensively involved with professional and trade associations and often takes the lead in such associations. The company does all of its own photography for print and video advertisements. The company is very active at home-and-garden shows. As an advocate of just-in-time inventory systems, Dr Marczyński believes the company is able



to keep inventory costs low which is a competitive advantage. The company is struggling with EU pesticide standards and other environmental protection requirements but views these challenges as opportunities to develop international activity. The firm currently exports 25 percent of their product with 80 percent of this going to Western Europe.

A constant source of concern is staffing although the company is able to retain skilled employees because it can offer opportunities to develop the types of horticultural experience that is not available elsewhere. And the currently high level of unemployment in the area favors the firm for the moment. The firm maintains that they are the domestic leader and a global competitor in their product lines as described in the company brochure of which 100,000 are distributed every year:

Clematis Container Nursery was founded in 1989 in Jawczyce near Warsaw and in 1996 the entire operation was moved to Pruszkow, where it is presently situated. The nursery is located on an area of 7 ha, of which 5 ha are under container cultivation. Our modern plastic houses and amply equipped nursery produces plants of the highest quality. We constantly expand our assortment of new species and varieties. To achieve this, we collaborate closely with dozens of other nurseries around the world. We make sure that our clients receive the fullest possible information regarding the plants, which we produce. Our main specialization is production of Clematis. In our collection we have over 200 species and cultivars of Clematis but for commercial sales we produce over 100 Clematis specimens – large and small flowered Clematis and also not climbing ones in the full gamete of colors and forms. We also have two additional specialties: climbing plants that can grow in the garden under Polish climactic conditions – we produce over 60 of these species and cultivars as well Salix grafted at the crown, of which we cultivate over 30 species and varieties. Our nursery conducts wholesale business only, supplying other nurseries, wholesalers, garden centers and stores. We do not sell any of our products to private individuals either at the Nursery or by mail.

IMMD struggled as a DNA-based genetic testing company for three years before realizing a profit in 1997. As a small specialized bio-medical firm, the expectation is that it will continue to adjust to changes in the demand for medical testing as the former East Germany becomes acclimatized to a market economy and becomes a more equal competitor with firms which developed in the

former West Germany. The company believes that EU membership has provided the basis for the process to accelerate.

Dr Richard Grosse is the president, founder and co-owner of the firm and was the primary interviewee and source of information about the company. The business would not have been able to develop, Dr Grosse believes, had it not been for the help of friends – a medical insurer, a geneticist, a successful businessperson, an investor. Actually the business started accidentally with an attempt to help a friend. A big mistake, however, was to go to the bankers for business advice. In the former East Berlin they still are not acquainted with entrepreneurial financing requirements – he had to instruct them! An even greater frustration is the immensely bureaucratic reimbursement process used by insurance companies where eight to ten month delays are normal.

Ethics is an extremely important element of this industry and of particular importance to the owner. The only way to make a business successful in a lasting way is to do it ethically which includes, especially, not hiring and firing at will but taking the employees' best interests into account. Cross-training is extremely important in this business that, essentially, does custom biomedical research and testing. The best approach is to provide much autonomy to employees and allow them to decide exactly who will be the leader for a particular project.

The position of the firm in terms of the issue of health care as a business is that there are indeed certain aspects which are subject to business (cost efficiency) criteria yet certain aspects must always be considered to be a social service to be provided regardless of efficiency. This type of middle road approach is often difficult but, Dr Grosse believes, will be necessary for more extensive involvement with other countries of the EU. Indeed, the formal name of the firm refers to "institute" because it is truly a combination of social service, scientific research and business activity as company literature suggests:

The IMMD based in Berlin, Germany is a leading Laboratory providing tests for genetic diseases to physicians, clinics, as well as the general public. It was founded in 1994, and since 1995 provides genetic tests for the medical and health care sector. Genetic analysis at the IMMD is performed by an experienced staff of molecular biologists, chemists and in collaboration with MD's for human genetics.

More than 3,000 patients have been requesting our genetic tests through their physicians over the last five years. A core method for genetic analysis is cytogenetics, which is offered by IMMD for prenatal, postnatal, and tumor diagnosis using most advanced techniques such as FISH and M-FISH. The tests developed by IMMD are being conducted in accordance to the recommendations and guidelines of the American and German Societies of Human Genetics and to the German insurance companies. IMMD tests are being regularly improved through quality control inspections which are surveyed by an external review committee. All tests developed by IMMD are validated and internally certified. The IMMD combines extensive experience in genetic testing under routine clinical conditions with the application of most advanced DNA technologies. This gives us the capacity to identify disease causing gene alterations with highest possible specificity and sensitivity and to provide diagnostic and therapeutic recommendations. Genetic tests developed by the IMMD are based on a proprietary technology for the analysis of DNA which is extracted from paper-dried blood spots ("blood stain paper"). For this procedure small amounts of blood are dried on special test paper. These samples can be conveniently obtained from patients in a primary care facility or even at home. The blood stained paper might then be sent by regular mail to our laboratory.

## Conclusion

Hence, all three of these companies are indeed practicing what Calori and de Woot (1994) refer to as a common management model, as described in the section above. And it would appear, at first glance, that the central hypotheses are not supported in that the apparent experience of the three countries is very different: Germany as a founding member, Austria as a new member and Poland as a membership applicant. However, on closer inspection of the intertwined histories of: the EU; economic and political developments in Austria (former East) Germany and Poland; and the three firms (Festo, IMMD, Clematis) during the late 1980s to the present, the actual EU influences on the firms can be seen as *very* similar as the following chronology shows. Specifically, the chronology highlights key events as they relate to the overriding questions of the development of a common business management approach *vis-à-vis* development of involvement with the EU:

- 1982: Festo creates a Central/Eastern Europe marketing organization; operates from company location in Vienna previously used for routine manufacturing; now specializes in custom designed pneumatic equipment.
- 1985: EC council endorses "White paper" plan to complete single market by 1992.
- 1989: Berlin wall comes down.
- 1989: Clematis begins operations in Warsaw with \$400 and 1,000 plants.
- 1989: Festo (Vienna) begins six-year development of partnerships in nine countries of the former Soviet Union.
- 1990: Former East Germany enters the EC as part of a unified Germany.
- 1991: Maastricht Treaty is signed.
- 1991: Poland signs European Agreement on trade and political cooperation.
- 1994: IMMD begins operations in (former East) Berlin.
- 1995: Austria joins the EU.
- 1996: Clematis market levels off with 450 regular customers and 2,000 speculative buyers.
- 1997: IMMD has first profitable year.
- 1998: EU opens membership negotiations with Poland.
- 1999: Euro is launched.

Briefly stated, then, the research suggests that a common management model (see discussion above) is developing among EU firms and it is one which should enhance firm performance. One firm from each of three countries (Austria, Germany, Poland) was reviewed and compared in terms of this common model and, based on these findings, it is recommended that replications and further, more broadly based, research be developed to develop and specify the central hypotheses further.

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