How European is management in Europe? An analysis of past, present and future management practices in Europe

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Version January 2007

Accepted for *European Journal of International Management*

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Abstract

This paper sets out to investigate if the term "European Management" is justified or if national differences between management practices within Europe render this concept meaningless. We argue that up to the late 1980s, management practices in Europe were still rather diverse, heavily influenced by different national traditions and institutional differences. From the early 1990s onwards, under the context of globalisation, convergence tendencies became more prevalent. However, the focal point was not so much a specific European management model, but the American model instead. For the future we predict a more multi-polar world in which the virtual monopoly of the United States in setting the standards for "best practices" in management will weaken. In contrast, the European approach, which takes a more "balanced" approach between economic efficiency and social concerns, might become more important, providing an additional source of inspiration, both within Europe and beyond.

Keywords: Europe, management, convergence, globalisation, best practices, competitiveness system

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Introduction

In this paper we will explore if there is such a thing as European Management. This question matters first and foremost in the context of the general debate on the convergence of management systems; in addition, it matters more specifically in the context of the theme of this second introductory special edition “Towards identifying the unity in European corporate cultures”. In order to properly address this theme we need to establish first if there is sufficient common ground among the European countries and their management systems to expect such a unity to occur. In this paper we address this important question by suggesting on one hand that there is substantial diversity among the management systems of the various European countries, but on the other hand by also highlighting commonalities among the European systems, in particular when comparing them to non-European management models. The question of the existence of what might be called European Management is a rather complex and broad issue to discuss. Consequently, in this position paper our primary objective is more to provide an overview of the intricacy of a series of interlinked phenomena in their broader context, rather than to offer an in-depth and rigorous analysis of a more detailed matter. The complexity already starts with the question how to define Europe in this context. Do we include all European countries from Portugal to Russia, only the more established market economies of Western Europe, or the countries belonging to the European Union? Or do we focus on continental Europe only, in order to differentiate it from the UK and Ireland, which are often considered to belong with the United States, Canada, and Australia to the category of Anglo-Saxon nations (for an overview on the definition of Europe see Hofstede (2002))? For our purposes we choose to define European rather widely, that is all European countries excluding, however, those which do not (yet) fully embrace a market economy system.

The question “Is there something specifically European or is Europe nothing but a diffuse geographical entity for the Western annex of the Eurasian continent?” is not a new one. It is controversially debated in political sciences, philosophy, history, sociology, economics and to some degree in management as well (Mayerhofer et al., 2002; Holt-Larsen & Mayerhofer, 2006). Here, we are specifically interested in the question: “Are there sufficient similarities among the management approaches of European countries to justify the term European Management?” Given Europe’s diversity this question seems justified. Europe has a population of roughly 800 million, which is divided into 45 nation states, and is home to some 70 languages. Germany’s population is 82 million; Luxembourg’s a mere 450,000. The GDP of Germany is about 2.7 trillion US$, whereas that of Poland is only 180 billion US$. GDP per capita runs from a high of about 50,000 US$ in Luxembourg to a low of 4,000 US$ in Albania (OECD, 2006). European countries have frequently been at war with each other over the last millennium, and ethnic tensions and secession conflicts add to the picture. Furthermore, deep rooted cultural differences can be identified within Europe. Hofstede (1980), for example, explains the difference in power distance between the Romanic and the Germanic countries by the central authority the Roman armies and subsequent administration exerted over what are now the Romanic countries some two millennia ago. While the EU is generating a more unified institutional context, profound national differences still exist.

We will approach our question about European management in three consecutive steps: looking first to the past, then to the present and finally to the future. Without understanding past developments it is difficult to judge the current situation and without knowing the present it is impossible to make educated forecasts about the future.

The past: A multi-domestic world

For the purpose of this paper we draw the line between the past and the present situation of European Management at the end of the 1980s. In 1989 the Berlin Wall came down, in 1993 the Single European Act came into effect and with the beginning of the 1990s a term appeared in the popular debate that arguably summarises the most fundamental changes of the last one-and-a-half decade: globalisation. All three occurrences had major integrative effects on the political and economic situation in Europe.[i] The fall of the Berlin Wall led to a significant extension of the geographical area in Europe in which market economies are operating, creating new markets but also new competitors for established Western European companies. With the Single European Market (SEM) the free movement of goods, services, capital and people meant a significant reduction in economic barriers between EU countries. Finally, globalisation meant the gradual development of worldwide open systems, which are linked through closely interdependent technological, economic, political and social relations. All three occurrences, the fall of the Berlin Wall, the introduction of the SEM and globalisation had major effects both on the creation and distribution of wealth and income within Europe (UN, 2005). For the established companies of Western Europe these effects lead to a radically different competitive environment, in particular an integration and an enlargement of markets and an intensification of competition (Mercado et al., 2001). Given our qualification of only considering European countries embracing the market economy system, the discussion of the past is limited to Western European countries.

Very diverse national management models within Europe

We argue that before the fall of the Berlin Wall, the SEM and globalisation, the management of companies in Europe was largely determined by the respective domestic context. Of course a limited amount of trade already existed with the centrally planned economies of central and Eastern Europe and the European integration process (of Western Europe) had already been under way for three decades. Furthermore, most of the individual ingredients of what later became known as globalisation were already in existence, but not yet to such a degree that, cumulatively, it could be called a new world order (Dahrendorf, 1998; Giddens, 1999). In addition, multinational corporations (MNCs) were already well established by that time, operating across the borders of European countries and beyond. Nevertheless, business was still largely conducted in one of two ways: ethnocentric or polycentric (Perlmutter, 1969). The first involved a strong home base with either exports directly from the country-of-origin or foreign subsidiaries that in all their activities were very dependent on headquarters. The second involved subsidiaries that were rather independent from headquarters. Either way, there was little integration of operations of MNCs and even less so among companies of different nationalities (vertically within the supply chain or horizontally as cooperation among competitors). Cross-border strategic alliances, mergers or acquisitions were still in their infant stages in this era and therefore less influential in the competitive environment in Europe (Evans et al., 2002).

With comparatively limited interconnectedness and interdependencies between companies of different European countries and strong domestic markets to serve, management was largely determined by the domestic socio-economic context. To elaborate on this statement, we refer in the following to a model outlining national competitiveness developed by Pudelko (2006a).[ii]

Insert Figure 1 about here

As depicted in Figure 1, national competitiveness results from a unique combination of universalities, particularities and singularities. As universal forces we can distinguish between technology, economic theory and human needs. All three forces push management systems towards adopting universally valid "best practices" which, if not balanced by contradictory forces, would ultimately lead to a complete convergence of management systems.

However, management is also influenced by particular forces which are unique to the respective national context. As particularities we can distinguish between several levels of (sub)systems, going from the most abstract (culture) to the most concrete (management functions). Each of the five layers of (sub)systems depicted in Figure 1 is divided into three, so that in total fifteen categories of particularities, influencing a national management system or being part of it, can be distinguished. Whereas in the context of this paper, we are unable to go into too much detail, in the following we do provide some examples illustrating how particular contextual factors caused variations among the management practices of companies within Europe for the time period up to the 1990s.

Regarding *culture*, there is a substantial body of literature addressing differences among European countries and the impact these cultural differences have on the various management systems, e.g. Rösch & Segler (1987); Tixier (1994); Calori & Dufour (1995); Myers et al. (1999); Dülfer (2001); and Hofstede (2002). Here, we differentiate between values, standards and artifacts. The various dimensions established, for example, by Kluckhohn & Strodtbeck (1961); Hofstede (1980); Hall & Hall (1990); Trompenaars (1998); Schwartz (2004); and House et al. (2004) highlight different cultural values among European countries.[iii] Cultural standards are less abstract as they refer to perceptions, judgements and actions considered to be normal by the majority of members of a given culture (Thomas 1993; Fink et al. 2006). Cultural artifacts are finally on the least abstract level as they encompass concrete cultural products, customs, rituals and symbols (Schein 1985). How the various cultural dimensions (e.g., according to Hofstede (1980) the highest degree of individualism in Europe can be found in the UK and the lowest in Portugal), judgements (e.g. different levels of tolerance for delays in Italy and Switzerland) and even trivial cultural customs (e.g. holding a siesta in Spain) have affected management practices in Europe has been discussed in a great many studies. For cultural dimensions in particular, certain clusters of European countries were established, such as the Latin countries, the Nordic countries, the Germanic countries, etc. (see, for example, Brossard & Maurice, 1976; Horovitz, 1980).

With regard to the *socio-political context*, we distinguish between the overall economic system (determined on the political level and therefore differentiated from the specifics of an economic system discussed below), the legal and the educational system. As economic systems we can distinguish, for example, the more dirigistic French model (requiring managers to keep in close contact with politicians and elite bureaucrats), the British laissez-faire model (leaving managerial concerns rather undisturbed by government) and the German model of social market economy (necessitating managers to seek consensus with unions, work councils and political decision makers on federal, state and local level) (Gordon, 1995; Randlesome, 1995a, b; Hancké, 2001). The legal system has equally manifold influences on management. For example, in the UK, mergers and acquisitions (M&As) (including unfriendly take-overs and take-overs by foreign companies) have long been established practice. This allowed a much faster reallocation of company assets and thus maximisation of shareholder value. By contrast, in countries such as Germany and France, M&A activities have been much more restricted (in particular with regard to unfriendly take-overs and those by foreign companies), to protect the independence of domestic companies (Randlesome, 2000; ul-Haq, 2000; Vitols, 2001). In education, each country has different educational traditions. Compare Germany's humanistic university traditions with the more pragmatic approach of the UK, with, as a result, more comprehensive curricula and degree programmes in Germany and more focused ones in the UK.

On the *economic level*, macroeconomic factors, market conditions and industrial relations are of importance. While the various European currencies were still in place, the stability of the D-Mark was a major macroeconomic objective in Germany, while Italy frequently used a devaluation of the Lira as a means to improve the competitive position of Italian companies. Fiscal policies also showed major differences, for example, between high tax countries (Scandinavia) and low tax countries (Luxembourg). For the management of companies, a strong domestic currency and high domestic taxes meant additional burdens which could only be outbalanced through higher competitiveness. Due to different macroeconomic policies European countries went through different economic cycles, rendering the planning, for example of investment decisions, more complicated (Mercado et al., 2001). Also the national market systems have displayed manifold differences between countries. For example, capital markets in some countries (e.g. France, Italy, Spain) were highly regulated, whereas others (e.g. UK) were less so, leading to very different emphases in corporate finance. Furthermore, some countries had strengths in manufacturing (Germany), others in services (UK), resulting in, for example, very diverse training and development or remuneration schemes. In addition, some countries had a relative large amount of MNCs (UK), others focused much more on small and medium enterprises (Italy), with, as a result, very different patterns of corporate cultures (bureaucracy versus patriachalism). Finally, the industrial relations system of some countries was highly regulated (Germany), whereas in others this was less so (UK, Ireland), resulting either in personal management executed by people with a legal background, ensuring that procedures were followed according to the law or in HRM strategies developed by people with a more managerial focus. In some countries wage negotiations were solved in harmonious ways (Scandinavia, Germany), in other countries in confrontational ways (France, Italy), leading to different strike rates that management had to cope with (Thelen, 2001; Wood, 2001).

Regarding the *management context*, we focus on corporate governance, strategies and structures. Corporate governance in some countries has been focused on representing shareholder interest (UK), while other countries have been given particular representation rights to the workforce (codetermination system in Germany), leading to fundamentally different corporate objectives (maximising shareholder value or stakeholder value). Accordingly, corporate strategies could also differ substantially: more short-term, profit oriented (UK) or long-term, growth oriented (Germany) (Vitols, 2001). Finally, organisational structures were steep in some countries (France) and flat in others (UK) (Evans et al., 1989).

When we consider the various *management functions*, some examples for finance, accounting and HRM should further illustrate national differences. Corporate finance can be based more on bank credits (Germany) or on equity markets (UK). Given these differences in corporate finance, accounting practices can be highly prudent, protecting the interest of creditors (Germany) or geared towards representing the current value of the company as realistic as possible in the interest of shareholders (UK) (Vitols, 2001). Within HRM, the recruitment process might include the use of graphologues (France) or not (rest of Europe). These examples have illustrated how, up to the 1990s, companies in Europe were confronted with substantial differences in their respective domestic environment. Given the importance of the own national context to which companies had to adapt, management practices proved to be very diverse.

Unlike universalities and particularities, singularities are forces or events that are not generated by the internal interdependencies of the system, but are unique factors that can exert their influence on each level of the model. For example, Hofstede (1980) explains the difference between high power distance Southern Europe and low power distance Northern Europe (cultural context) with the historic (singular) advent of Roman armies conquering and occupying what are now Romanic countries. This made these countries more used to central authority, while tribal Northern Europe remained largely unaccustomed to central authority and power differences. The fact that central and Eastern European countries only recently became market economies (socio-political context) has little to do with their specific culture, but more so with Soviet military dominance over what Stalin regarded as the Soviet Union's zone of influence after World War II. The lessened influence of unions in the UK (economic context) might probably be better understood by looking at prime minister Margaret Thatcher's political believes and her determination in winning the power struggle with union leader Arthur Scargill than by any abstract development on the socio-political level. And finally, Virgin Atlantic might be differently run from RyanAir (management context) not because of differences between the British and the Irish economic context, but because of differences in the personalities of the company founders, Richard Branson and Tony Ryan. Each example demonstrates the influence that (frequently overlooked) singularities can have. National competitiveness systems should therefore not be regarded from an overly deterministic perspective. The unpredictability of outside influences onto a national competitiveness system finally adds to the diversity of management practices in the various European countries.

Reviewing the various examples given above, we see a very diverse picture: we have established universalities (technology, economic theory and human needs) which push management practices towards "best practices", that is not just towards European, but beyond, towards universal "best practices". In addition, we have noted a great variety of particularities in the management context of European countries for the time period up to the 1990s, responsible for a vast diversity of management practices among European countries. Finally, singularities further reinforced this diversity. To sum up, for the past, that is until the beginning of the 1990s, the dominant picture has been one of very diverse national management practices of companies in Europe.

One commonality amidst the diversity: A "balanced" approach

With universalistic forces pushing for a standardisation of management solutions on a global scale, and manifold particularistic and singular forces pushing in the opposite direction, strengthening the uniqueness of national management approaches, one might argue that little room was left for commonalities of management practices located between the universal and the national level, that is on the European level. Nevertheless, despite the strong forces strengthening the uniqueness of national management models, a look beyond Europe might relativise the picture of national diversity. Up to the 1990s, economic wealth production was very much concentrated to the triad of Western Europe, the USA and Japan. Consequently, a comparison of Western European management approaches with the management models of the other two major economic power houses would seem of interest. Table 1 provides a very rough overview of the competitiveness systems of the USA, Europe and Japan, again for the period before the 1990s.

Insert Table 1 about here

Acknowledging the risk of oversimplification, a leitmotiv of this comparison is that despite all the diversity within Europe, there has been one commonality among the various European countries: compared with the in many ways opposite approaches of the United States and Japan, European practices have been located very much "in between" these two poles (see also Hilb, 1984; Calori & de Woot, 1994; Thurley & Wirdenius, 1990; and Dore, 2000). As a result, European practices appear more "balanced" compared to the more "extreme" American and Japanese approaches. However, given our previous description of diversity within Europe, we do not intend to depict Europe as one homogeneous block all of a sudden. On the contrary, in this comparison with the United States and Japan we see the various European countries more as a continuum. The UK, for example, leans more towards the pole of the United States and Germany, for example, is situated more towards the opposite pole, Japan (see also Harzing, Sorge & Paauwe, 2002 and Harzing & Noorderhaven, 2007).

Some European management models as role models for other countries

We would argue that despite the observed diversity of national management models up to the 1990s and the even at that point in time already existing forces pushing towards universal management standards (with in particular the United States and to some degree Japan providing role models representing universal "best practices"), there was also a distinct European perspective among the (Western) European countries in their efforts to adopt "best practices" that were specifically in tune with the particular European context. Moreover, we contend that above all Germany provided in many ways a role model for other European, in particular continental European, countries. Whereas effective management practices do not necessarily translate directly into a strong national economy, with other factors such as macroeconomic variables playing a significant role, we would argue that a strong national economy has historically been proven to be very strong argument for the attractiveness of a management system. Up to the 1990s, Germany was not only by far the strongest economy in Europe, it was the worldwide leader in exports, had a stable and in Europe dominating currency, and was widely regarded as the locomotive for European growth. Consequently, within Europe the German system was frequently presented as a role model (see e.g. Albert's 1991 description of the "Rhine model"). Even outside Europe, including in the United States, the German model was perceived as a direct competitor of the American and the Japanese models (see, for example, Reich, 1990 and Thurow, 1993). Having stressed the importance of German approaches providing a role model for other European countries, this is not to say that other European practices were left unnoticed. The City of London, and not Frankfurt, set the standards in the European banking industry. For mass production, the approach taken by the Volvo factory in Uddevalla, Sweden, which attempted to combine organisational efficiency with a positive work experience for production workers, was observed with great interest. Also, the cooperation among mostly family owned, highly specialised and geographically clustered SMEs in rather low tech industries in Italy (the Emilia Romana model) was perceived to be a very competitive business model. These examples demonstrate that up to the 1990s there was a significant awareness about different management approaches originating in Europe that were regarded for the European context as "best practices" worth learning from. Beyond taking inspiration from individual European countries, efforts have been made to define a (pan-)European, or more specifically Western European management concept, frequently with the objective to distinguish it from dominant American approaches (e.g. Guest, 1994). A leitmotiv of European concepts has been a more sceptical stance versus the American focus on universally valid management strategies and the assumption that companies' objectives and management strategies automatically translate into a greater good for society at large. Instead, factors such as culture, institutional traditions, government involvement, trade unions, power imbalances etc. have been given more consideration. Given the more prominent role contextual factors tend to play in European management models, European management concepts have tended to include more contextual complexity, diversity and inconsistencies, thus reflecting the more complex and, diverse reality in Europe.

The present: A globalising world

Continued national diversity with increasing global convergence

Since the late 1980s much has changed. The European integration process continued, notably with the Treaty of Maastricht (1992), leading to the creation of the euro and the enlargement of the EU to currently 25 member states. However, Europe did not develop into the "Fortress Europe" which many have predicted in the run up to the SEM (the Single European Act was adopted in 1987 and the SEM came into effect in 1992). One major reason for this not to happen was that another integration process was arguably even more forceful in its economic effects than the European one: globalisation. Globalisation forces in many ways stimulated convergence processes across European countries.

Convergence of both the management environment and of management practices themselves was not limited to the European context, but has been almost by definition a world-wide trend. Even for Europe the main pole of attraction has not been a European country (such as Germany) or a European hybrid model, but rather a country outside of Europe: the United States. Apparently, the forces of globalisation, necessitating in many ways true paradigm shifts in management and in its socio-cultural environment, went very much in favour of the more open American model with its socio-cultural predisposition for more radical technical, managerial and organisational changes, compared to the more shielded European (or for that matter Japanese) model with its predisposition for more incremental changes. As a consequence of this convergence process there is today less diversity among the various European countries with regards to the socio-cultural context of management and the management practices themselves.

Going again from the abstract to the concrete, we start out with the *cultural context*. Cultural values are probably the most resilient contextual factors in terms of convergence. This is already less so for cultural standards or cultural artefacts. Going back to our previous examples, the tolerance towards delays in Italy or holding siestas in Spain have both decreased over the last twenty years, also through a higher level of contact and intensified competition with other European countries.

With regards to *socio-political context*, we observe a weakening of dirigisme in France and of the social market economy in Germany, both under the influence of the Anglo-American free-market economy system (overall economic system). As a result of ongoing deregulation processes (legal system), partly introduced on the European, partly on the domestic level, mergers and acquisitions, even unfriendly ones and those initiated by foreigners, are now much more frequent in countries such as France and Germany (for example, Vodaphone buying Mannesmann was a milestone in the decline of the "Deutschland AG"). As for education systems, European countries change under the Bologna agreement to the Anglo-American BA/MA degree structure. Even at secondary education level, benchmarking exercises testing and comparing the abilities of pupils (e.g., the PISA studies undertaken by OECD) are an indication of efforts to learn from best practices in an increasingly competitive environment.

Regarding the *economic context*, we observe a series of very significant convergence processes: for example, on the macroeconomic level, we have witnessed the introduction of the euro and a subsequent harmonisation process of fiscal policies (usually meaning a lowering of taxes, in particular for corporations and higher individual incomes). Regarding market conditions, we have seen the deregulation of capital markets, leading to more corporate finance through equity and thus to an increase in the importance of shareholder value. With regard to industrial relations we observe a European-wide deregulation process, rendering lay-offs easier and increasing the spread between low and high incomes.

With regard to *management*, convergence tendencies might have been even more pronounced. The pursuit of the shareholder value (corporate governance), of more short-term oriented profit targets (strategies) and of flatter hierarchies (organisational structures) are on the rise across Europe. Finally, convergence tendencies on the overall management level lead to convergence on the level of *management functions*, such as the increasing use of performance evaluation within HRM.

Reviewing the above examples, we argue that management in Europe has been subject to an accelerated process of partial convergence for the last twenty years. However, this convergence was not towards a European hybrid or, for example, the German system, but towards the Anglo-Saxon, or more specifically, American model. In order to underline convergence tendencies which have taken place since the 1990s, we referred here back to the same examples we employed when we highlighted above the significance of diversity among Western European countries for the time period up to the 1990s. However, since the 1990s central and Eastern European countries also transformed themselves into market economies and many of those countries were actually more inclined to follow the Anglo-Saxon free-market economy model than the social market economy model of (Western) continental

Europe, rather to the surprise to countries such as France or Germany. Consequently, developments both in Western Europe as well as in central and Eastern Europe lead to convergence tendencies towards the Anglo-Saxon, or more specifically, American model.

One final observation: when reviewing the changes taking place on the various levels of the competitiveness model outlined in Figure 1, we see that convergence tendencies are stronger with regard to the more concrete levels of the competitiveness model, such as management and its various sub-functions (the inner circles in Figure 1), while the more abstract levels, such as culture (the outer circles in Figure 1), are not subject to fundamental change as easily.

A "balanced" approach continues to define Europe

For the time period up to the 1990s we concluded that despite universalistic forces pushing for convergence, there were still strong particularistic (and singular) forces upholding diversity in European management and its socio-cultural context. However, for the last decade and a half, defining very much the current situation, we have been witnessing a considerable raise in convergence tendencies. We are not suggesting here that the various European systems have converged into one. However, we argue that the degree of diversity that previously existed on all levels of the competitiveness model has decreased over the last one-and-a-half decade. We already noted that this convergence took place very much in the direction of the American model. Furthermore, there is ample evidence that the third pole of the triad, Japan, also adopted American practices in many ways (see, for example, Matanle, 2003; Frenkel, 2004; Pudelko, 2004, 2005). Consequently, there was not just a decreasing diversity of management approaches within Europe, but also between the United States, Europe and Japan, with the United States being the pole of attraction (see also Pudelko & Harzing 2006). However, reviewing the key characteristics of the three competitive systems, as illustrated in Table 1, we contend that even though the differences between the three systems might have decreased, the "sequence", with the United States and Japan at the opposite poles and Europe in between, remains for the present the same as it was for the past.

No European role models anymore – it's all about the United States

While Europe (and Germany in particular) entered in the 1990s a decade of low growth and Japan an unprecedented economic malaise, the United States enjoyed in comparison a decade of high growth. As previously mentioned, the attractiveness of management systems often closely follows overall economic performance, even though economic performance has more determinants than just the quality of management practices. Given the fact that the United States have had the highest growth among the three blocks of advanced economies for more than a decade, it is not surprising that they set the standard in defining "best practices" in management. In addition, it appears that the American model was particular well suited to produce the right amount of creative destruction, necessary in such a turbulent time period as that of globalisation. In contrast, the European and in particular the Japanese alternative models seem to be much more reluctant to departure from their carefully established status quo, mainly in fear to upset the existing social balance. Given the difficulties that Europe and Japan continue to have in confronting the globalisation challenges and in subsequently redefining the necessary trade-offs between the exigencies of economic efficiency and perceived social justice, it is probably no wonder that since the 1990s no European country (nor Japan) obtained the status of a role model as was still the case in the 1980s. Compared to the mighty American lighthouse showing the "right" way, Europe and Japan currently appear as tiny torches with low run batteries having little effect in directing others.

The future: A globalised world

Continuing national diversity and global convergence with regional characteristics?

Globalisation is a process bound to continue. Counter-reactions such as for instance anti-globalisation movements are also likely to persist, but even they use the means of globalisation such as IT and the media to coordinate their activities and inform the public. However, they will not be able to reverse the all too powerful process of rendering the boundaries between countries and continents less and less relevant. Consequently, while the globalisation process is bound to continue, we don't know which trajectory it will take, For instance, a continuing process is very different in character from a radically new one. Whereas globalisation was still a very new phenomenon at the beginning of the 1990s, inducing major paradigm shifts in many ways and on all levels of the competitive model, it now turns increasingly into an already fairly established development that will continue on its course in deepening the various technological, institutional and social integration processes. As a consequence, radical adaptation processes, required in times of paradigm shifts, increasingly give way to more gradual changes. With less necessity to make fundamental adjustments, the attractiveness of the one model most attuned to radical change, the American one, is likely to diminish. Conversely, the implementation of more gradual change should go in favour of those systems that are more geared towards incremental improvement steps: the European and the Japanese systems. Given the established connection between economic performance and attractiveness of the management model, recent economic developments might support this suggestion: Recent statistics show that the euro area's GDP grew as a percentage rate on the previous quarter at an annual rate by 3.7%, its fastest for six years. For the first time in seven years, it outran the United States (2.5%). Japan, by contrast, only grew by 0.8%, but its annual growth of 2% in 2005 indicates that it seems to have finally overcome its economic malaise.

While globalisation continues to necessitate and at the same time facilitate learning processes from “best practices”, more gradual change might imply that more attention will be paid to the specific national context which still provides the “starting point” of any change process. This might prevent the adoption of perceived “best practices” which are simply not well suited for a particular context. Consequently, while the time up to the 1990s was still very much determined by continuing national diversity, and the time from the 1990s onwards by accelerating convergence tendencies, it might well be the case that in the near future we will see a more differentiated picture, integrating tendencies of continued diversity and convergence. More specifically, management practices which are very much embedded in national culture, national traditions and the national institutional context will continue to show substantial differences between European countries (and beyond), whereas those practices which are less influenced by national contextual factors will continue to converge towards what are perceived to be “best practices”.

Furthermore, in a multi-polar world, which should be less dominated by the American model, the definition of what “best practices” actually are might also be formulated with more sensitivity towards the specific socio-cultural context. With the United States losing the monopoly for defining “best practices” in management, “best practices” might be defined in a different way in East Asia, as they are in the Anglo-Saxon world or in continental Europe.

A more “balanced” approach will continue to define Europe

With the oppositeness of the United States and Japan and the more "balanced" role of Europe, that is one which finds itself in between these two poles, we believe to have described a rather fundamental configuration. Despite accelerated convergence over the last one-and-a-half decade, we have not detected any change in this pattern for any criterion of the competitiveness model that we listed in Table 1. Consequently, we assume that this overall configuration will remain valid also for future years. The reason for the stability of this picture lies in our view mainly in the relative stability of the cultural values. For most cultural dimensions, established by authors such as Hofstede, Trompenaars and House et al. many European countries are ranked "in between" the United States and Japan and due to the importance of cultural values, this configuration also permeates the other levels of the competitiveness model. Having said this, we are not ignoring the universal forces pushing for convergence, after all we already mentioned the decreasing diversity both among European countries and between the three main economic actors, the United States, Europe and Japan. However, we could argue that with increasing convergence, those remaining differences become relatively more important, as they are making all the difference in the competitiveness of nations.

The emergence of a European management model as a role model?

While taking much more time to adapt to the new competitive environment of globalisation, causing a relative decline in both real economic performance and perception of managerial effectiveness, Europe and Japan have caught up over the last years in implementing necessary changes. This was in particular the case for the most "concrete" area of the competitiveness model, management. With the novelty of globalisation as an ongoing process declining and the relatively good performance of both the European and the Japanese economies compared to the American economy, we project a more multi-polar world compared to the rather US-dominated one of the last one-and-a-half decade. The increasing importance of the Chinese and other transition economies will only reinforce this phenomenon. This, in combination with the continued political, economical and social European integration, harmonisation and standardisation process, leading to an increasingly similar socio-economic context, and the already mentioned heightened sensitivity for the socio-cultural context in defining "best practices", might well stimulate more awareness within Europe about commonalities in management practices. This awareness, in turn, might ultimately lead, with limitations of course and allowing for substantial variety, to the development of a specific European management model.

Conclusion

After more than a decade of a virtual American monopoly in setting the standards for "best practices" in management, we might currently be at a turning point (see also Todd, 2002). The American powerhouse shows signs of losing steam, the European and Japanese economies are picking up again and countries like China, India and Russia will irreversibly upset the familiar pattern of exclusively Western countries plus Japan being the economic leaders of the world. With emerging economies rising radically in importance, most of these countries are, however, still far from setting global standards in defining "best practices" in management. For this they still lack the critical mass of established and successful MNCs and leading, research oriented business schools, both very influential in defining "best practices" in management. Consequently, the advancement in management is likely to remain for the foreseeable future the prerogative of the traditional "big three": the United States, Europe and Japan.

The United States are certainly remaining the most powerful and influential economy, but with the emergence of a more multi-polar world, will lose in importance in a comparative context. Compared with the United States and Europe, Japan might offer a closer fit with emerging Asian economies, but its system was, at least until recently, the least apt to face the challenges of globalisation and still appears the most in transition (with increasing signs of overcoming the current stage of crisis though). This could mean that Europe, or selected European countries, might become more relevant again in serving as a source of inspiration in management – at least within Europe itself, but possibly also beyond. We have already highlighted Europe's balanced, equilibrated, moderate and partnership-oriented approach as a possible advantage.

Another advantage might be its inherent pluralistic set-up. In the quest for optimising management practices, companies face opposite challenges. On the one hand companies need to employ management practices that are fully in tune with the domestic cultural and institutional context and that take full advantage of specific domestic competitive advantages; on the other hand they need to continuously learn from "best practices" in order to increase efficiency. In an increasingly multi-polar world in which it becomes ever more complicated to define what "best practices" actually are, allowing for pluralism seems the better strategy than the search for the "one best way". The ability to integrate opposites and deal with inconsistencies are features for which Europe should have a natural competitive advantage, given its internal diversity which far exceeds that of the United States or Japan. Given the likely increase in importance of European management practices, one conclusion seems certain: research on European management in an international context will become increasingly important.

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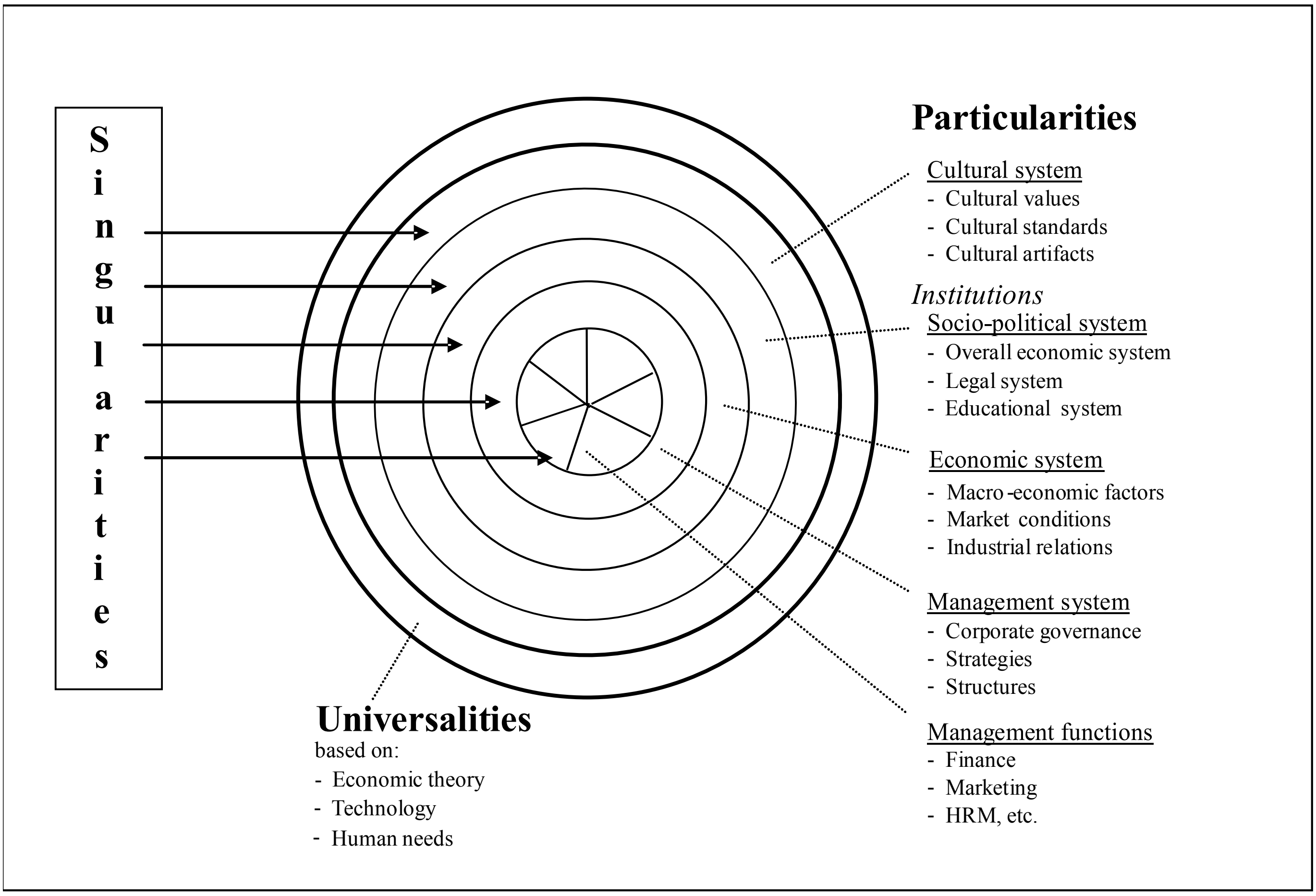
Tables and Figures

Figure 1: A national competitiveness system



	USA	Europe	Japan
Cultural system			
Values	Individualistic, self-assertive, individual freedom, opposing interests	in between	Collectivistic, consensus and cooperation oriented, embeddedness in society, harmony
Standards	Individual competitiveness and achievement-orientation is valued	in between	Individual competitiveness and achievement-orientation is not valued
Artifacts	Open display of possessions	in between	No open display of possessions
Socio-political system			
Overall economic system	Little government interference in the market, distrust of powerful institutions, adversarial relations among and no shared responsibility of all economic players	in between	Much government interference in the market, trust of powerful national institutions, cooperation among and shared responsibility of all economic players
Legal system	Disputes are solved through the legal system, stress on fair and due process	in between	Disputes should be solved through mutual compromise, while involving the legal system should be avoided, stress on a mutual acceptable outcome
Educational system	Stress on creativity and independent thinking, top universities and highly educated graduates responsible for high competitiveness in tech sectors, neglect of mass education responsible for lower competitiveness in low tech sectors	in between	Stress on group integration, insufficient top universities and highly educated graduates responsible for lower competitiveness in high tech sectors, good mass education responsible for high competitiveness in middle tech sectors
Economic system			
Macro-economic factors	Capital and work is remunerated and taxed according to market forces (also on the "political market"), resulting in a high spread of wealth and income	in between	Capital and work is remunerated and taxed also on the basis of the collective will to be fair to all, resulting in a low spread of wealth and income
Market conditions	Consumer orientation, pursuing the 'American Dream', high importance of shareholder value, "creative destruction", innovative start-ups	in between	Producer orientation, promoting 'Japan Inc.', little importance of shareholder value, status quo orientation, few innovative start-ups
Industrial relations	Individualistic, adversarial, formalised and standardised, employee concerns of little importance	in between	Collectivistic, cooperative, little formalised and standardised, employee concerns of much importance
Management system			
Corporate Governance	High importance of short-term financial objectives in order to increase shareholder value, high concentration of power with the CEO	in between	Financial and non-financial objectives of importance in order to secure long-term survival, independence and growth of the company which is in the interest of all stakeholders, power devolved
Strategies	High degree of flexibility, radical strategy changes possible, high degree of sophistication in activities such mergers and acquisitions	in between	Status quo and stability orientation, changes often only incremental, focus on gradual improvement of products and processes
Structures	Pyramidal corporate structure, clear top-down decision making, flat hierarchies,	in between	Network-like corporate structure, top-down, bottom-up and lateral decision making, many hierarchical layers
Management areas			
Finance	High importance of equity markets for corporate finance	in between	High importance of bank lending for corporate finance
Marketing	Consumer relations are marketing driven	in between	Consumer relations are product driven
HRM	Finding the best qualified person for a specific job (job-oriented), hire and fire, strong individual performance orientation (results oriented), specialist career path, primarily material incentives	in between	Finding the person who fits best for the company (people-oriented), long-term employment relations, contribution to collective performance matters (behaviour-oriented), generalist career path, material and immaterial incentives

Table 1: US American, European and Japanese Competitiveness Systems (adapted from Pudelko, 2006 b)

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[i] Other integrating events followed in the 1990s such as the introduction of the Euro or the enlargement of the European Union.

[ii] The term national *competitiveness* system (instead of the more familiar national *business* system) was chosen, to indicate that national competitiveness is determined by factors that go well beyond the sphere of business. It is this emphasis on the non-business factors which distinguish this model from other models of business systems such as those by Whitley (2000) and Porter (1990). For a systematisation of the managerial context see also Farmer & Richman (1964, 1970); Carlisle (1976); Luthans (1976); Kieser &Kubicek (1983); Neghandi (1987); and Scherm (1999).

[iii] In the discussion of culture and its impact on management, the key differentiator is between national and corporate culture (for a discussion of the interrelationship between both expressions of culture see Morden, 1995) . While we focus in this paper on the former, there is also an abundance of literature on corporate cultural differences with relevance to the European context, see for example: Hofstede et al. (1990); Trice & Beyer (1993); Thompson et al. (1996); Schneider & Barsoux (1997); and Cooper et al. (2001).