

The Business Environment of Europe is the first textbook to provide a complete overview of Europe's business landscape, examining the region's diverse economies and government policies within historical, political, and cultural contexts. This well-researched text examines the European Union and select European nations, and leads students to a full understanding of the structure and dynamics of specific industries, the impact of globalization on European companies, and the future challenges facing the region's business environment. Numerous tables, maps, figures, case studies, and chapter-specific bibliographies support students with little background knowledge of the subject, and lead them to total mastery of the material. Ideal for business students seeking background on the historical and cultural foundations of European business, and for international studies students seeking specific information on European governments, policies, and economics, this introductory textbook provides a comprehensive and interdisciplinary overview of the subject.

Terrence R. Guay is Clinical Professor of International Business at the Smeal College of Business at The Pennsylvania State University, where he teaches undergraduate and MBA international business courses. He is also a recipient of the Fred Brand, Jr. Outstanding Teacher Award – the College's highest honor for teaching. His research focuses on the competition between governments, international organizations, NGOs, and other non-state actors to shape business behavior and the international business environment, with an emphasis on Europe.

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“This book offers a definitive treatment of the business environment of Europe. It provides an accessible account of the complex influences of different actors on the European economic landscape and at multiple levels of analysis. Terrence Guay has done a superb job in capturing the most important trends and currents, as well as the evolution of the overall system. Given recent developments in Europe, this book is essential reading for scholar, student and executive.”

Jonathan P. Doh, Herbert G. Rammrath
Chair in International Business, Faculty Director,
Center for Global Leadership and Professor of Management,
Villanova School of Business

“Europe is one of the world’s major economic regions, and understanding it is a requirement of any serious student of international business. It is also one of the world’s most complex political systems, with a unique form of supranational governance coexisting with established national business systems and cultures. Guay displays a mastery of his subject material; the clarity of his writing does not come at the cost of over-simplification. Guay provides a lucid account of EU political economy that also addresses the performance of European multinationals. It deserves a place on the reading list of any course on the European business environment.”

Professor Steven McGuire,
School of Management and Business,
Aberystwyth University

“*The Business Environment of Europe* is an ambitious undertaking. It provides an authoritative, comprehensive, and wide-ranging look at the multi-faceted setting for business operations in Europe, at all levels of governance. The book is invaluable for anyone interested not only in European business, but also in politics, policy-making, and economic development in individual European countries and in the European Union as a whole. Terrence Guay has done a huge service to scholars and students of European studies, including European integration studies. His book is a great achievement.”

Desmond Dinan,
Professor of Public Policy and Director,
Center for Entrepreneurship and Public Policy

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“This book fills a huge gap for students trying to get a handle on international business. The context for business in the world’s largest economy is extremely complex: not only do businesspeople need to understand the overarching European Union, they need to grasp the national economic models that vary across the EU’s twenty-eight members. No other book comes close to Guay’s success at delivering what students need to know about business environments in Europe today.”

Craig Parsons,
Professor of Political Science,
University of Oregon

“*The Business Environment of Europe* answers a felt need for a European business text that firmly embeds European business operations in the historical, cultural, and political contexts that shape them. The author’s interdisciplinary approach is welcome, refreshing, and effective, providing a view of the European business environment that is at once encompassing and nuanced. In particular, the author’s attention to the complex choreography of interactions between EU and national institutions goes well beyond the more narrow scope of other textbooks. I recommend this book enthusiastically.”

James J. Kennelly,
Professor of International Business,
Skidmore College

“Like any place in the world, Europe is a unique place to do business. Terrence Guay has thoroughly captured the factors that make this historic part of the globe so different. The result is a keen insight into doing business in Europe and how Europe does business around the world.”

Sean O’Keefe,
Former Chairman and CEO of Airbus Group, Inc.

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TERRENCE R. GUAY



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Preface

The business environment of Europe is dynamic and exciting for companies and their managers, and for students of business who learn about them. For scholars, the topic presents interesting areas of research with respect to the region's strengths and weaknesses relative to other parts of the world. It is also of interest to European policymakers and government officials seeking to improve the economic welfare of their constituents. And of course, the subject is fascinating for the casual but curious observer trying to make sense of newspaper headlines, and tourists who notice different products, currencies, and shop opening hours. In short, there are many reasons why one might want to learn more about business in Europe.

There are several reasons why this book is well-suited to accomplish this task. The first is the unique approach taken to this subject. As will be discussed in more detail in Chapter 1, Europe is a region under pressure to be both homogeneous and heterogeneous. There are tensions between reducing differences across national business environments through the European Union (EU), while maintaining the characteristics that make Europe a fascinating mosaic of people, history, culture, and values. It is impossible to fully appreciate the complexity of Europe's business environment by focusing on only one of these levels. There are many excellent books on the political economy of the EU and its regulatory impact on business, but they tend to leave country-level analyses out of their discussion. Other books provide in-depth examinations of a particular country or group of countries, but this focus on specific trees leaves out the broader view of the forest, which gives a student or business executive an incomplete picture of Europe's business environment.

Second, this book is structured around a coherent theme, namely the multi-level governance (MLG) literature of European studies. The MLG approach to explaining European integration and policymaking argues that the governing structure of Europe is largely two-dimensional, with national governments and the EU sharing responsibility for devising and implementing a range of public policies. The connection between MLG and Europe's business environment is explained more fully in Chapter 3. But the approach taken throughout the book is one whereby the MLG framework is used to illustrate how both the EU and national governments impact specific facets of Europe's business environment.

A third reason why this book adds value to teaching and learning about Europe's business environment is that it presents a multidisciplinary perspective. The idea

for this book derives from almost twenty years of teaching international business, EU, and political economy courses to undergraduate, MA, and MBA students enrolled in business schools, political science departments, and international studies programs. These experiences reveal a knowledge gap among students and a publication gap among scholarly books and college texts on business and European studies. In the first instance, business students seem to have little understanding of, or appreciation for, how European history, politics, culture, and institutions have shaped the region's business environment. Business school curricula tend to be rather narrow with the focus on building marketable skills in areas such as accounting, finance, marketing, and supply chains. Few schools integrate the liberal arts, social sciences, and humanities into the business curricula. At the same time, students of international or European studies are rarely familiar with business issues and terminology, the roles that firms play in policy-making, and the impact that government policies have on corporate decision-making.

With respect to the publication gap, there is neither an academic book or textbook on the market today that aims to fulfill this need or tries to connect EU and national level dimensions of the business environment, nor is there a book that can speak simultaneously to business and international/European studies students and scholars in a language that readers of both can understand. While the narrow, single disciplinary approach to research and publication is the norm within most university academic units, it is not helpful for those topics (like the business environment of Europe) that simply cannot be fully understood within one disciplinary lens. Therefore, one of the principal objectives of this book is to bridge the knowledge gap among students. In doing so, students from a wide range of backgrounds, including business and management, MBA, international affairs, European studies, political science, and law, are likely to benefit from this multidisciplinary approach.

Finally, the book tries to utilize the most up-to-date approaches to conveying information to students. This includes extensive tables and charts, cases studies, key words, study questions, and web-based resources where students can go to obtain additional information. Such tools are designed to help students get the most out of this book and subject matter.

The book is divided into five parts. Part I expands on the themes presented in this preface. Part II focuses on the importance of the EU – the entity that shares responsibility with national governments for shaping Europe's business environment today. A brief history of the EU and its structure is presented in Chapter 2, while Chapter 3 explains the influence that business groups have had in the development of the organization.

Part III moves to the national level, although instructors may assign this section prior to Chapters 2 and 3 without any interruption in continuity. Instead of describing the business environment of every country, in these four chapters the aim is to categorize the countries of Europe into what are commonly referred to as “models of capitalism.” Chapters 4–6 provide an overview of what the business environment of individual countries is like by examining, in turn, market capitalism (with a focus on the UK and Ireland), managed capitalism (Germany and the Scandinavian countries), and state capitalism (France, Italy, and Spain). The reader should become comfortable with the fact that, while the EU’s policies and regulations are playing an increasingly important role in shaping the region’s business environment, significant differences remain among individual countries in terms of how history and culture have shaped their current business environment, the influence of political systems, the extent of public ownership of companies, labor relations, attitudes and policies relating to social welfare, and taxation and spending. Chapter 7 focuses on the Central and Eastern European countries, describing the formidable challenges that countries in this region have faced in moving from a communist economic system to a capitalist one.

In Part IV, the book turns to specific policies and issue areas and explains the different responsibilities and influence of the EU and national governments for each. Chapter 8 looks at ways in which the EU and national governments promote business through, for example, the single market, competition policy, tax policy, and the Euro. Chapter 9 surveys regulatory aspects of Europe’s business environment, including personal privacy, social and labor, environmental, and product safety regulations. As discussed above, forces at both the European and international levels are putting homogenizing pressures on the region. Parts II and III of the book focus mostly on the European level. It is in Chapter 10 of Part IV where the international dimension is highlighted. At this point, the book evaluates the impact of globalization and global actors on Europe, and analyzes the pressures arising from other industrialized countries (e.g. the US and Japan) as well as developing states (including China, India, and the East Asian economic “tigers”). After all, the competitiveness of European firms is not judged within the region alone, but against companies throughout the world. And while Europe’s consumers are among the world’s richest, many of the best growth opportunities for companies are in emerging markets in Asia, Africa, and Latin America. As companies make such key decisions as where to invest, whose workers to hire, and how best to establish global supply chains, Europe is affected – for better or for worse. The chapter also assesses the impact of non-state actors, particularly intergovernmental organizations like the World Trade Organization (WTO) and

non-governmental organizations (NGOs) such as environmental groups, on Europe and European business.

The purpose of Chapter 11 in Part V is to illustrate how specific industries in Europe are faring in the global economy. While it is not possible to assess the strengths and weaknesses of all the major industries in Europe, Chapter 11 presents an overview of major manufacturing sectors (aerospace/defense and automobile) and service sectors (financial services, retail, and airlines). The objective is to provide the reader with a familiarity with some of the industries and companies that often appear in the news, or which represent an important pillar of the European economy. The chapter also describes the policies – at national, European, and international levels – that are particularly relevant to them.

Finally, Chapter 12 summarizes the main points of the book, while offering scenarios of what Europe's business environment may look like in the years ahead. Given the complexity of Europe's political structure, challenges like the financial crisis, demographic change, and long-term unemployment, a wide range of dissimilar national economies grouped within the EU whose citizens differ in their enthusiasm for change, and intensifying global competition from a host of countries on multiple continents, Europe's future is anything but predictable. But that is just one of the many reasons why it is such a fascinating topic to study.

In sum, the approach taken in this book is a novel one. This book intends to be informative, analytical, and both regional and global in scope. It looks at the business environment of Europe as it appears in the second decade of the twenty-first century, and explains how it reached this point. It tries to be balanced in assessing the effects of EU- and national-level policies on business, but it is not prescriptive. It is this author's hope that, by the end of the book, readers will have developed a sufficient background and curiosity in this subject from prior chapters to have their own ideas on how Europe's business environment may play out in the years ahead.