The Cultural Mosaic of the European Union: Why National Boundaries and the Cultures Inside Still Matter

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For the unenlightened observer, especially one from an unacculturated American perspective, the European Union can present a myriad of different, and sometimes conflicting, concepts that tend to bewilder and confuse. Amidst the discussions in the popular press of either the benefits or the costs of free trade areas; custom unions; common markets; and political, economic, and monetary unions, a common perception is that Europe already represents a singular arena in which to conduct business uniformly across borders. While this perception is accurate in terms of an absence of trade barriers and the existence of a single currency, Europe and the people of Europe do not present a homogenous market demographic stretching across the entire continent. While Europe is already a single common *market* area, it is not and probably never will be a single common *marketing* area. Dispelling the idea that Europe presents a fully integrated whole as a result of the creation of a European single market and currency area, evidence exists illustrating how Europe remains a polycentric environment for businesses with distinct geographic regions of the continent differentiated by their individual cultures. In particular regards to cultural and geographical borders, Europe continues to present a mosaic of nations retaining their own national and cultural distinctiveness. The formation of the European Union has indeed lowered barriers to business that have increased the level of intra-European trade; however, a company, whether European or North American, will continue to find it necessary to differentiate and adapt their products and product strategy to the European cultural mosaic.

Economics as a Social Science

A split within the discipline of economics can be illustrated by two recent awards of the Nobel Prize for Economics. On the one hand, the 2003 winners of the Nobel Prize, Robert Engle and Clive Granger, "epitomize the rise of statistical techniques" and exemplify the measurability of econometrics ("Soft Science," 2003, ¶ 3). With research heavy on the use of statistics and the exactness of measurement, these researchers represent the pure numerical side of economics. On the other hand are those economists and other social scientists continuing the work of integrating economics with the other social sciences. For instance, the 2002 winner of the Nobel Prize in Economics, Daniel Kahneman, famous for his prospect theory of economic behavior, derived his economic theories from his investigations and studies as a trained psychologist ("Behaviourists," 2003, ¶ 5). This paper supports this integration focus order to suggest practical applications for the business person participating in operations on the European continent. The research used relies heavily on those branches of social sciences whose investigations also merge into economic matters. This integration of social science with economics represents a recent trend in academia. There is little in the way of practical application to the business environment from these academic pursuits.

The description of the *theory of fields* by Fligstein (2001) provides a structural background for investigating the integration of European countries as a business entity. Into this sociological framework, cultural research from the realms of anthropology, geography, and economic geography is used to present a balanced approach across the social sciences. It is interesting to note that almost all works cited within this paper present their information in a manner resembling the sociological *field* described by Fligstein (2001). In addition to academic studies, recent groundbreaking marketing research on product take-off rates across Europe by Tellis, Stremersch, and Yin (2003) provides an example of practical business applications for adapting to the European business environment. Their research also illustrates the latent power of interpreting European business activities through the filter of Europe's culture areas.

This interdisciplinary approach to economics and business starts by assuming that economics acts as a phenomenon within culture itself and, therefore, is inseparable from the environment in which business operations and strategic planning take place.) Economics "deserves more cultural study than it currently receives since it is clear that economic knowledge is itself a powerful actor in the world, and not just a representation of it" (Thrift, 2000, p. 700). When merging these disparate academic social studies, Thrift (2000) acknowledged "that the turn to culture both destabilizes what is conventionally regarded as 'the economic' and, at the same time, produces an almost bewilderingly large research agenda" (p. 689). Despite the broad scope of the various topics, practical and useful benefits may be found through the application and analysis of these cultural studies.

European Union and the Economic Integration

In their discussion of the merits and goals of the European Union, Johnson and Turner (2000) described a keystone desire of the European Union to be that of economic integration, defined as "removing the impediments to trade and mobility between the individual units so that the area can eventually be recognized as a single economic unit" (p. 3). Toward this end of economic integration, Johnson and Turner (2000) described the historical actions of the European Union and European Community as a "consecutive series of policy events" that have propelled Europe through subsequent stages of "interaction" and "interdependence" with completion of the stage of final "integration" still described in the future tense, but nonetheless anticipated as a future goal (p. 7). A distinction is drawn between informal and formal integration. Informal integration is that which arises "from market dynamics, technology and communications networks … [and is] … due to the practicalities of economics and commerce not to any conscious political decision" (Johnson & Turner, 2000, p. 8). Formal integration, on the other hand, arises from political needs and can further the needs of business only in that it acts as a catalyst motivated by the needs and desires of the commercial classes. "Such a stance perceives economics and enterprise functioning as the primary drivers behind the processes of integration to which politicians respond via a series of policy measures" (Johnson & Turner, 2000, p. 8).

Describing the same formal and informal elements of the integration process from a sociological point of view, Fligstein and Sweet (2002) described the interplay between business and policy makers as a *theory of fields,* with a field defined as "market, political, and legal domains … that help to structure how economic actors, public interest groups, lawyers and judges, and government officials define and pursue their interests" (Fligstein & Sweet, 2002, p. 1212).

> In this perspective, markets are construed as arenas of objective relations between positions, or fields, that contain collective actors who try and produce a system of domination in the field … [and] provide actors with cognitive frames to interpret the actions of other[s]. (Fligstein & Merand, 2001, p. 7)

Fligstein and Merand (2001) further described four types of rules that govern the fields of the marketplace, three of which may be classified as formal, with the final rule considered to be informal.

The three formal rule types described by Fligstein and Merand (2001) consist of *property rights, governance structures,* and *rules of exchange.* In describing each of these, Fligstein and Merand (2001) illustrated how the institutions of the European Union have increasingly sought to don the "aegis of the state" by determining aspects of each of these concepts on behalf of the European Union's member states. *Property rights,* for instance, "define who has claims on the profits of the firm … [and] are necessary to markets because they define the social relationships between owners and everyone else in society" (Fligstein & Merand, 2001, p. 9). Motions to define a pan-European incorporation process as well as a *de facto,* if partial, homogenization resulting from the large increase in European cross-border mergers and acquisitions are demonstrative of the European Union's willingness to define the role of property rights. Slightly different from the business school definition, *governance structures,* according to Fligstein and Merand, refer to both the legally defined and the institutionalized practices that define how "firms structure themselves and their relations to competitors" (Fligstein & Merand, 2001, p. 10). They described the implementation of the European Commission's competition policy as a means to formalize the interactions between and across firms within society. In defining *rules of exchange,* the European Union's Single Market Program has had its widest impact. Trade barriers have been removed as the European Union determines the guidelines for "shipping, billing, insurance, the exchange of money (i.e., banks), and the enforcement of contracts … and health and safety standards of products and the standardization of products more generally" (Fligstein & Merand, 2001, p. 10).

Within each of the three formal rule types listed above, an individual state, or for the purposes of this discussion, the European Union, defines the parameters under which the rules of the marketplace operate. According to Johnson and Turner (2000), these policy aspects of formal integration are most often driven by the needs of European business entities who seek to increase the potency of European firms. Whether the firms are proactive by design or reactive by experience, only the regulations of the state or the European Union itself can proffer a system of *property rights, governance structures,* and *rules of exchange* under the auspices of a governing authority.

The fourth type of rule described by Fligstein and Merand (2001), *conceptions of control,* lies beyond the reach of direct fiat by the state and represents an informal dynamic as described by Fligstein and Merand (2001) and Johnson and Turner (2000). Purely a cultural phenomenon and a form of "local knowledge," Fligstein and Merand (2001) define *conceptions of control* as follows:

> … understandings that structure perceptions of how a particular market works and the real relations of domination in the market. A conception of control is simultaneously a worldview that allows actors to interpret the actions of others and a reflection of how the market is structured. Conceptions of control reflect market specific agreements between actors in firms on principles of internal organization (i.e., forms of hierarchy), tactics for competition or cooperation (i.e., strategies), and the hierarchy or status ordering of firms in a given market. … Conceptions of control are historical and cultural products. They are historically specific to a certain industry in a certain society. They are cultural in that they form a set of understandings and practices about how things work in a particular market setting. … All markets, whether organized in a city, a region, or across societies, can be analyzed from this perspective. (p. 11)

Within the construct of a marketplace as a *field,* thus defined, the European Union can be seen as a theoretical blank slate upon which the European Union and its member states can impose from above the three forms of formal rules of *property rights, governance structures,* and *rules of exchange* to create their desired order of the marketplace. These formal rules imposed by the European Union have led to the greater economic integration and trade documented by many texts on modern Europe. However, the informal rules of *conceptions of control,* defined for the purposes of this paper as the culture inherent to an area, operate within Europe as a counterweight to the total economic integration of the continent. The most obvious examples of this cultural influence on the European Union can be found in the reluctance of some nations (the United Kingdom, Denmark, and Sweden at the present time) to participate in the currency union across the European Union. It is also found in the nationalistic fervor that is sometimes aroused within individual countries whenever it is perceived that the European Union is encroaching upon the sovereign rights of the member nations.

Politics aside, the search for these cultural counterweights to the European Union includes the bewilderingly large research agenda described by Thrift (2000) above. Despite this difficulty, it becomes increasingly important to seek out and understand these cultural underpinnings inherent to the European Union. Once found, they must be adapted to, since they cannot be legislated away by any political body. As Anderson (1996) observed:

> European integration lacks genuine historical antecedents. It is quite unlike state-building in early modern Europe and the drive towards national self determination in the nineteenth and twentieth centuries. … Loyalty to the European Union and belief in its legitimacy must be derived from other sources than those which bind together nations, peoples and local communities. Differences of history, language, and culture define the peoples of Europe. (p. 178)

As the bodies and member states of the European Union attempt to integrate politically and economically to the fullest extent possible, the importance of these cultural groupings will only increase in their prevalence and importance. Future enlargement of the European Union will likewise complicate matters by increasing the number of cultural groupings involved.

For Fligstein and Merand (2001), the basic spatial units of discussion within the European Union are those of the individual member states. The cultural forces described by the *conceptions of control* are assumed to be contained in unique synchronicity within national borders. While the argument could be made that Europe is made up of many more regional sub-national or cross-border cultural groupings, Fligstein and Merand (2001) focused on the laws and institutions within national borders as the simplest division to observe and analyze the European Union. "Modern production markets require extensive rules to work. … In sum, they need states" (Fligstein & Merand, 2001, p. 26). Against this backdrop, Anderson (1996) observed, "perceptions of frontiers are changing … different professional, social and economic groups within the same society have different conceptions of the space in which their key activities take place. These spaces often transcend, or ignore, the international frontier" (p. 190). Anderson continued his argument with a quote from Jacques G. Maisonrouge, a senior executive of International Business Machines, "For business purposes the boundaries that separate one nation from another are no more real than the equator. They are convenient demarcations of ethnic, linguistic and cultural entities" (as cited in Anderson, 1996, p. 190).

While borders today pose little or no obstacle to business operations, the demarcations of ethnic, linguistic, and cultural entities within the confines of national borders, however, can indeed pose real barriers when interpreted as a *conception of control* element operating on the sociological field of the marketplace. For example, in his examination of the role of borders on economics, Subramanian Rangan, an economist at the Insead Business School, argued that national borders create economic discontinuities ("Borders," 2001). These discontinuities arise as a result of differences in social and religious phenomena; capabilities, including geography and natural resources; economic development and infrastructure; information differences, including language; and, finally, distinct administrative rules and standards within the national borders ("Borders," 2001). From this list, all but administrative rules and standards could be classified by Fligstein (2001) as cultural elements classified as a *conception of control.* Interestingly, Rangan ("Borders," 2001) views the introduction of the single Euro currency, a prime example of Fligstein's ("Borders," 2001) *rules of exchange,* as merely the replacement of a national administrative feature with a pan-European one. Nonetheless, each of these cultural elements is worthy of an evaluation to determine its potential impact on business operations.

Marketing Application

Among the practical applications of viewing European countries as distinct culture areas separate from the confines of the rubric of the European Union, research by Tellis et al. (2003) examined the rate of adoption, or takeoff rate, of 10 consumer products in 16 countries of western Europe. The results of their study show a distinct disparity between countries in the time needed for a product to takeoff. "Time-to-takeoff differs dramatically between countries (e.g., 3.3 years for Denmark and 9.3 years for Portugal). On average, time-to-takeoff is almost half as long in Scandinavian countries (4 years) versus Mediterranean countries (7.4 years)" (Tellis et al., 2003, p. 205). Among the main cultural differences cited by this study as indicative of increased takeoff rates is "a higher need for achievement and industriousness and lower uncertainty avoidance" (Tellis et al., 2003, p. 205). These items were a few of the cultural variables studied as part of this particular investigation. Other variables investigated (in addition to solid marketing research by product category) included comparing a country's product takeoff rates to wealth; economic progressiveness; gender roles within the household and the economy; openness of the society and its economic system; access to information; and the intensity of the media, mobility, and education (Tellis et al., 2003).

As a result of the polycentric cultural elements found across Europe, the differing takeoff rates led the authors of this study to several practical applications for those professionals contemplating a product launch within Europe. They recommended conducting a waterfall product introduction strategy in order for takeoff to occur quickly in a quick-adoption country so it can then influence the takeoff of the same product in a slow-adoption country. Another recommendation is more specifically geographic: "large, developed economies, such as the United Kingdom, Germany, and France show early product introductions but late product takeoffs, while Scandinavian countries, such as Sweden and Norway, show relatively late product introductions and early takeoff" (Tellis et al., 2003, p. 206). Thus, based on a correlation of the cultural factors investigated to product adoption rates, the researchers found that new products are typically introduced in the wrong set of countries when an early product adoption is hoped for. This can result in slower adoption and lower sales overall even when a product launch is not prematurely abandoned. The authors suggest that a practical application of the waterfall strategy centered on a key mix of economies of Europe could speed product adoption, thus leading to higher sales.

As innovative as the above cited study may be, one limitation of the investigation involves the fact that only fully standardized and uniform products were tracked. An alternative application of culture to business can be found in local differentiation by producers to suit culturally defined parameters. Ono (2002), for example, in her evaluation of the different product design needs of white goods between the Brazilian and European market provides several important anecdotes from an Electrolux designer. She noted:

> products directed to the German market are sophisticated, in technical aspects, because Germans demand noble and durable materials. On the other hand, in Scandinavian markets, the quality of materials is slightly lower. And there are also products directed to India, China and some Italian, French, Spanish and Portuguese regions, which have lower quality" (¶ 34).

This evidence by Ono (2002) supports the findings that "within the context of globalization and capitalism … we can observe the promotion of homogenization of production" (¶ 7). This homogenization is a result of the fact "that organizations must be aware [of] local peculiarities, having both a critical vision, as well as a social and cultural commitment with societies, in work relations and the development of their products and services" (Ono, 2003, ¶ 13).

Not every product, however, should be differentiated to fit into a localized culture. Over time, this will occur naturally as a result of cultural interaction and product adaptation. Indeed, as the pressures of globalization increase the standardization of goods and products around the world, "global forms are always appropriated in local contexts" (Staring et al., 1997, p. 8). From this point of view, the idea that "market expansion and modernization entailed increasing cultural homogenization" is not necessarily true, namely because this "homogenization thesis is generally a thesis of commodification … [and the fact that] commodities are now distributed everywhere on the globe does not necessarily imply that the meaning and use of such items becomes homogenous" (Staring et al., 1997, p. 10). Staring et al., (1997), writing in the forward of an anthropological journal, elaborated on this idea using language remarkably similar to the language Fligstein (2001) used to describe his sociological framework:

> Localities and identities are the product of *fields of force* [italics added] that can be systematically studied. … Localities and identities are perennially forged from specific temporal and spatial relationships marked by systemic asymmetries of power, and systemic conjunctions of politics, economics, and cultural process. The vocabulary of cultural studies, while tending to overstate the global plat of difference, downplays … above all the territorial state, being the spider in the web of institutions that regulate and mediate the everyday reproduction of people's lives. (p. 14)

For the business person operating in the European theater, the recommendations derived from this investigation are simply to be aware of the impact of localized culture within the continent. While the European Union has erased trade barriers, the cultures and the cultural areas defined within Europe themselves can and will impact the success of a firm, its products, product development, marketing, and sales. When a product is not differentiated to the climate of a localized culture, the culture itself will adapt the product to its own needs. As one study illustrates, "The process of globalization simply compels firms and governments alike to focus on the remaining *localized* (immobile) capabilities: the ones that have not yet become *ubiquitous*" (Lundvall & Maskell, 2000, p. 364). Until a time when these cultural traits can be better interpreted for potential impact upon a business operation, one can only acknowledge the power of the endemic localized culture in the face of open markets.

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Biography

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