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THE COLLEGE OF AERONAUTICS
CRANFIELD

Studies of four aspects of
BUSINESS IN EUROPE NO. 3



by

Members of the Cranfield Management Development Programme No. 4

July, 1966

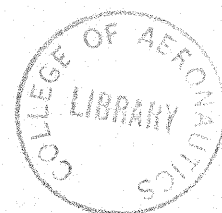
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August, 1966

THE COLLEGE OF AERONAUTICS

DEPARTMENT OF PRODUCTION AND INDUSTRIAL ADMINISTRATION



Studies of four aspects of business in Europe

- by -

Members of the Cranfield Management Development Programme No. 4

Contents

	<u>Page No.</u>
Preface	1
Course Members	2
Itinerary	3
Management in Europe - Its Operation and Development	6
Changes in the European Market 1966 - 1971	13
An Enquiry into how Managements and Government are Tackling the Problem of Labour Shortage in Europe	17
Some Problems of Exporting to European Markets	33

Contents

Page No.

Preface	1
Course Members	2
Itinerary	3
Management in Europe - Its Operation and Development	6
Changes in the European Market 1966 - 1971	13
An Enquiry into how Managements and Government are Tackling the Problem of Labour Shortage in Europe	17
Some Problems of Exporting to European Markets	33

Preface

The Cranfield Management Development Programme is an intensive ten week course for middle management aged 28 - 38. The courses which are held twice yearly started in 1964; the fourth of these, MDP 4, was held from April - July, 1966. The members of the course are drawn from a variety of businesses and have previous experience in one or more of the main fields of business activity, e.g. general management, marketing, production, finance.

As part of the course two weeks are devoted to studying business conditions in Europe. For this tour the members are formed into small groups who study particular projects. Throughout the visits the emphasis is on discussion with Senior Executives.

The specific objectives of the European Tour are:-

1. To expose members to business problems in different European environments and to provide an opportunity to discuss business problems with European Managers.
2. To study the problems that confront British Companies who do business in or with European countries.
3. To use this exposure to a new environment to effect some measure of re-evaluation of their past business experiences in the United Kingdom.

MDP 4 were in Europe from 13th - 24th June, 1966, during which period the following cities were visited; Paris, Milan, Zurich, Frankfurt, and Brussels. In each city discussions were arranged with a representative cross-section of the business community. These included British Embassy Staff, British Chambers of Commerce, Local Bankers, Industrial Companies, Advertising Agents, Trade Union Officials, Management Consultants, British Subsidiaries and the E.E.C. Commission.

On their return from Europe a meeting was held at the Institute of Directors in London where the members of the course presented their findings to a group of businessmen, representatives of the Export Council for Europe and the Confederation of British Industries.

This report is split into four parts representing the work of the four project groups.

Course Members

Afoods Group Limited	I.J. Llewellyn	Managing Director
J. and P. Coats Ltd.	J.K. White	Trainee Managing Director (Overseas)
J. and P. Coats Ltd.	G.R. Mathison	Trainee - recently General Sales Manager, India.
General Electric Co. Ltd.	D. McNally	Marketing Engineer
Industrial and Commercial Finance Corporation	G.O. Cawser	Assistant Branch Manager
Martin Emprex Ltd.	M.S. Nolan	Hosiery Sales Director
Melbray Catering Ltd.	A.H.K. Edwards	Director - Organisation and Development
Pressed Steel Co. Ltd.	D.W.H. Roberts	Sales Manager, Tooling
Rootes Group	J.R. Symonds	Senior Production Controller
Rootes Group	D.F.E. Gwynn	Senior Systems Analyst
Shell International Petroleum Co. Ltd.	S.J. Osmond	Non-technical Selector, Recruitment Division
Stewarts and Lloyds Ltd.	G.E. Kemshall	Chief Engineer, Wolverhampton and Birchley Rolling Mills Limited.
Thomson Newspapers Ltd.	M.J. Gorman	Classified Sales Manager
Wadkin Ltd.	M.H. Goddard	Liaison Engineer

Itinerary

Paris

<u>Company</u>	<u>Industry/Business</u>	<u>Person Interviewed*</u>
1. Compagnie Pechiney	Aluminium	M. le Noan
2. Organisation for Economic Co-operation and Development	O.E.C.D.	Dr. A. King O.B.E. (Director for Scientific Affairs)
3. Alfred Herbert S.A.	Machine Tool Sales	A. Ponge
4. Barclays Bank (France) Ltd.	Banking	M.A. Pringle (Local Director)

Dinner Speaker - June 13th - G.F. Rodgers - British Embassy, Paris
 Lunch Speaker - June 14th - F. Lagandre - President, Federation
 Francaise des Syndicats D'Ingenieurs et Cadres (C.F.D.T.) French
 Trade Union, Branch of C.F.T.C.

Milan

1. Gillette Italiana	Razor Blades	A. Nagle (General Manager)
2. M.S.L. Italia	Consultancy	Dr. G.P. Gabbiani
3. Fratelli Borletti S.P.A.	Motor Instruments, Clocks, Sewing Machines	Dr. S. Borletti (President, Fratelli, Boreletti and Vice-president of Industrialists Assoc. of Lombardy)
4. C.P.V. Italiana S.P.A. (Affiliate of Coleman Prentice and Varley of London)	Advertising	J. Beck (Head of International Division)
5. Banca Commerciale Italiana	Banking	Dr. A. Monti (General Manager, Foreign Dept.)

* The senior person present is named. Most companies visited made
 available for discussion four to six of their senior management.

 A number of prominent local and British businessmen participated in the
 discussions after dinner in each of the cities visited.

Milan (Continued)

<u>Company</u>	<u>Industry/Business</u>	<u>Person Interviewed</u>
6. Alfa Romeo S.p.A.	Motor Manufacture	Ing. A. Bardini (Director General)

Dinner Speaker - June 15th - L. Batten O.B.E. - Managing Director
Monteshell S.p.A. (Joint Subsidiary of Shell International and
Montecatini S.p.A.)

Zurich

1. Ford Motor Company	Motor Marketing	J.G.H. Hirsch (Managing Director)
2. Lloyds Bank Europe Ltd.	Banking	K.J. Senft (Manager)
3. Alcan S.A.	Aluminium	J.S. Woods (Managing Director)

Lunch Speaker - June 17th - Dr. Homberger - Manager - Swiss Bank

Dinner Speaker - June 17th - A.C. Dugdale - H.M. Consul (Commercial)

Frankfurt

1. British Consulate- General		J.D. Lewis (H.M. Consul (Commercial))
2. Messe und Ausstellungen	Trade Fair Authority	H. Wittrock
3. Farbwerke Hoechst A.G.	Chemical	Herr Horst Legatis
4. I.C.I. Deutschland	Chemical Marketing	Dr. F.T. Hamblin (Managing Director)
5. Dresdener Bank A.G.	Banking	Herr Richebacher
6. Industriegewerkshaft Metall	Trade Union	Herr Otto Brenner

Dinner Speaker - June 20th - J.D. Lewis - H.M. Consul

Brussels

1. British Embassy		Mr. J.R. Wraight C.M.G. (Commercial Counsellor)
2. Association Belge des Banques	Banking	Mr. J. Jussiant, Banque de Bruxelles Mr. A. Delvaux, Societe Generale de Banque M. della Faille, Banque de Bruxelles Mr. B. Camue, Banque Lambert M. E. Matthijs, Kredietbank

Brussels (Continued)

<u>Company</u>	<u>Industry/Business</u>	<u>Person Interviewed</u>
3. Leyland Triumph	Motor	Mr. Phillips (Factory Manager)
4. British Chamber of Commerce for Belgium and Luxembourg		Mr. L.A.L. Gregory (Secretary General)
5. Manufacture Belge de Lampes et de Material Electronique (MBLE)	Electrical/ Electronic	M. van Gysel
6. Ford International	Motor	Mr. A. Lloyd-Thomas (Public Relations Manager)
7. Federation Generale du Travail de Belgique	Trade Union	Mr. G. Goyne (Assistant National Sec.)
8. Confederation des Syndicates Chretiens	Trade Union	Mr. J. Kouleers (First Assistant Sec.)
9. E.E.C. Commission		Mr. Lambert

Dinner speaker - June 22nd - J. Jussiant - Banque de Bruxelles
Dinner speaker - June 23rd - J.E. Kirsch M.B.E. - Vice President
British Chamber of Commerce for Belgium and Luxembourg.

MANAGEMENT IN EUROPE -

ITS OPERATION AND DEVELOPMENT

- by -

M.H. Goddard

D.F.E. Gwynn

D. McNally

J.R. Symonds

Wadkin Limited

Rootes Group

General Electric Co. Ltd.

Rootes Group

CONTENTS

1. Introduction
2. Problems related to labour utilisation
3. European visit
 - (a) France
 - (b) Italy
 - (c) Switzerland
 - (d) Germany
 - (e) Belgium
4. General comments

Introduction

In this report we have endeavoured to correlate our findings in five European countries with the situation which exists in the United Kingdom at the moment, in an effort to highlight the increasing need to develop and train more sophisticated management to meet the challenge of Western European and World Markets.

We see the United Kingdom at the moment poised on a plateau between two periods of growth and power, the period of empire building and industrialisation lying in the past whilst our future, hopefully, lies as a leader in an integrated and powerful Europe - a Europe whose power will be based far more on economic strength than on political or military power.

Economic strength for Britain, as well as for Europe means nothing more or less than an ability to compete. In the future this will mean competing not only in world export markets but also in a new vast and well rationalised home market in the form of an enlarged European Common Market. Far reaching changes must take place now in many British industries if we are to meet our new challenges with any degree of confidence.

You will have read in the other three reports issued herewith of three important areas of change required to meet the present challenge, namely:

Our methods of exporting into Europe.

The changing market environment in Europe particularly in respect of the European Economic Community.

Problems Related to Labour Utilisation.

Our report is directed and dedicated to those people in the United Kingdom who have the task of bringing about these changes - the present and future management of British industry. We believe that the proper development and training of management is of paramount importance and it was with this in mind that we made the study of the progress in this respect in the five countries visited.

In order to gain a degree of perspective it is perhaps useful to review management education on the world front. The United States of America are generally acknowledged at the moment to be some ten years in advance of the rest of the world in the establishment of business educational facilities, and in their acceptance by industry. The adoption of Harvard principals in the majority of business schools established in Europe is evidence of this leadership and we could gain immediate benefit from the experience which this and other institutions in the United States have to offer.

Our investigations have convinced us that whilst we are by no means lagging in this field, it is important that continued emphasis be placed on this subject in any future plans for industrial expansion.

We in Britain are at present witnessing a very rapid expansion of management educational facilities in this country which has already put us some 2-3 years in advance of Continental Europe and it is not beyond the bounds of possibility that if we continue our progress in this field, Britain could well become the established centre of management training for Europe. One important point to which attention must be drawn is the increasing need for suitably qualified teachers in this field to satisfy the demand expected during the coming period of consolidation and expansion.

European visit

On the Continent it was established that a high proportion of management was selected from university graduates, although admittedly the average age of leaving university was somewhat higher than that in the United Kingdom. It is not surprising therefore to find that the universities on the Continent were well attuned to the requirements of industry both technically and commercially, with the result that graduates enter companies on the strength of their qualifications with a view to development for promotion to senior management.

In the United Kingdom however a greater proportion of managers at present are trained in their trades or professions and reach senior status by a process of continuous selection throughout their careers. There is therefore in the United Kingdom a greater need for potential senior managers to receive periods of training in general business policy and administration such as that offered by Cranfield, London, Manchester, Henley, Ashridge, etc.

It is encouraging to note however the rapid development of business training in British Universities and it is hoped that greater co-operation between industry and the universities will develop in the United Kingdom to supply adequately trained graduates to industry.

Let us now look at the five individual countries that were visited and our findings on management operation and training.

a. France

In France more than in any other country visited we learnt of the great pressures on industry to rationalise - by the merging of uneconomic units, by product specialisation, or quite simply by the fact that non-viable companies were rapidly being forced out of business.

Shortly after our return to England we heard of the merging of the great £300m. Pechiney aluminium group of companies (who we visited on our tour) with another large group of companies - further evidence of the powerful pressures on industry to form into larger and more economic units.

This rationalisation had even become apparent in the world of banking where some French Banks are finding it necessary to merge into larger units. This process, which is being brought about by the sharply increasing competition in the Common Market, is bound to call for better and more sophisticated management. In fact a situation now exists where demand far exceeds supply.

The French place greater emphasis on the attainment of diplomas and degrees, and forward-looking firms vie with one another to recruit the best students from the Polytechnics; for these institutions are at the moment the biggest French source of potential managers. In France we found several instances of companies sending people for training to the I.M.E.D.E. Business School at Lausanne and to Harvard, but it was strange that at their own international business school, I.N.S.E.A.D. at Fontainebleau, only 16% of the students were French. It was suggested to us that this school was, as far as the French are concerned 'not yet fashionable'. INSEAD has considerable plans for expansion. At the moment they are taking some 50 highly selected students each year but they have plans to increase this number to something in the order of 500 per year by 1975. Teaching at INSEAD is in accordance with Harvard Business School practice and there is an overwhelming demand from progressive international companies for successful graduates at the end of each academic year.

The French recognise the shortage of educationally qualified personnel and rapid steps are being taken to improve the situation with the government now sponsoring promoting further management training facilities, particularly through the polytechnics.

b. Italy

In Milan, the business capital of Italy, we were surprised to find that the tempo of business and industrial affairs was acknowledged to be faster than that in the United Kingdom. Managers in general work harder for longer hours and appear to have the ability to get things done more quickly. However, with the exception of certain British and American owned subsidiaries and major Italian companies such as Fiat and Olivetti etc., the techniques of management appear to be lagging behind the very rapid industrial development of Northern Italy, and the need for management development is recognised as of prime importance to the future of Italian industry.

In Italy great emphasis is placed on a university background and there is an increasing co-operation between the universities and industry mainly on technical aspects at the moment, although it is anticipated that this will develop along commercial and business administration principles in the early future. Graduates in Italy are much in demand as large companies find themselves unable to satisfy their managerial requirements by promotion from within. Typically a graduate may start in an organisation at the age of 26 at a salary of some £700 per annum, but can be

expected after three years only to be earning £2,500 per annum together with the substantial fringe benefits applicable to all sectors of Italian industry.

Among Italian firms there is a tendency for senior managers to stay on at their posts until they are in their seventies, and are reluctant to delegate their work to those below them. This, and the fact that it is not considered a virtue to change employment even at long intervals, leads to some stagnation at the middle levels of management. The influence of U.S. and British firms however is slowly making job mobility a more respectable thing.

There are two business schools of importance in Italy, the most developed of which is the I.P.S.O.L.A. School in Turin sponsored mainly by Fiat and Olivetti, which takes one hundred post-graduates a year and again is taught along Harvard lines. The other, situated in Palermo, has been sponsored by the Regional Government to meet the requirements of the new industrial development being promoted in Southern Italy. These two schools again concentrate on the education of graduate students for potential management positions, and with the exception of an increasing use of seminars and an advanced part time course for senior managers run by the Milan Polytechnic, there was little or no evidence of post-experience management training in the country.

c. Switzerland

Whilst Switzerland as a nation has at Lausanne the largest and best established business school in Europe, I.M.E.D.E., Swiss industry we found to be the least aware and progressive in its training and development of management.

The IMEDE school was originally started by Nestle to fulfil their own training requirements, but it has since expanded and now accepts a large number of students from all over the world. Teaching, which is wholly in English, again follows Harvard principles and students of this school are much sought after by Companies the world over.

Another business school known as C.I.E. was established by Alcan of Canada in 1946 again to fulfil its own management training requirement, like IMEDE however they have also expanded and now 60% of their students come from other companies outside of the Alcan Group.

At CIE one year courses for 30/35 students are run and also short courses of between two and six weeks duration for more senior business executives. On questioning Alcan management on the establishment of this school they pointed out that their management in 1946 appreciated the need to maintain a succession of qualified management to meet their company's international requirements. Emphasis placed on training at that time had enabled rapid managerial expansion to be maintained, from graduates from this, their own business school.

d. Germany

Management training in Germany does not appear to have yet developed along organised lines, although great emphasis is laid on vocational and craft training. They are however making some use of established business schools in other countries and there is a tendency towards 'in-company' training schemes, although this is more on a departmental basis for specialised subjects rather than covering the broader aspects of management training. This lack of co-ordination in Germany caused us considerable surprise since we learnt that senior management in Germany is of a high average age. This arises from a lack of qualified people in the 40/50 year age bracket, largely resulting from the last war, and the Germans themselves are very conscious of this deficiency. Whilst conscious of it however they are nevertheless reluctant to hand over control to the 30/40 year age bracket.

It was interesting to find that in contrast to industrial management the German Trade Unions place great emphasis on the development and training of both their full time and part time officials. The I.G. Metal (Metal Workers Union) with some 2 million members provide training facilities for some 5-6,000 officials per year and their courses range from weekend programmes for local executives to six week full time courses for union officials at which economics and business policy are major subjects. To meet their increased programme for such training they are now in the process of establishing a brand new educational centre which should be completed within the next two years.

e. Belgium

With the exception of the Management Centre Europe which specialises in the training of finance and accounting on an international basis, there is little or no evidence of any major management training facility in the country but larger organisations do make use of both I.M.E.D.E. in Switzerland and I.N.S.E.A.D. in France. Greater use is now being made of seminars for more senior managers, and with Belgian companies relying again on a higher proportion of university graduates for potential management co-operation between industries and the universities is being increased and the universities are developing the teaching of business subjects to a greater extent.

General Comments

Having summarized the activities of business schools and the attitude of management training on the Continent, we also feel it important to record more generalised observations of European businessmen toward British management. In general I think this could be summed-up by the comment of a senior official of the O.E.C.D. in Paris (himself an Englishman) who said that 'Compacency is British Management's greatest sin'.

Whilst you may consider this to be a generalisation applicable more to the smaller firms and beginners in the field of exporting it was a reflection which we encountered on several occasions not only from the independent continental companies but also on occasions from British subsidiaries when reference was made to their United Kingdom management. It is therefore only fair to refer back at this stage to our opening comments when we instanced that the United Kingdom was accepted at present to be some 2-3 years in advance of the Continent in management training and development and we therefore hope that complacency will in no way undermine the future development of this function.

As an interesting corollary to our above comments, we found throughout our tour that European companies and subsidiaries of American companies showed immense hospitality and interest in our visits, it was usual to have the entire management team or a large percentage of it available to be interviewed by us for an hour or two and in turn to interview us on aspects of British Management. On the other hand, the few British firms which we visited clearly attached less importance to our visit and seemed less aware of its purpose and what we were trying to achieve. Again we admit that this was a small sample upon which to generalise, but impressions gained under such circumstances are very important?

What then are the lessons which we can learn from Europe? There is no doubt a warning to us when looking at the painful process of rationalisation now taking place in the Common Market countries, as like the Walls of Jericho 'the tariff barriers come tumblin' down'. The Italian refrigerator manufacturer who almost wrecked the French refrigerator industry (and did it because he was more efficient), is but one example of the growing need for efficiency which will enable us to compete more effectively.

In the United Kingdom for the moment we do not feel the pressure of rationalisation for we are not yet faced with no-tariff trading with Europe. Whilst we have many fine firms in Britain with first class management and excellent overseas trading records, too many companies sit solidly astride the security of a sound home market without realising that this home market could very quickly become a 'home' market too for continental companies.

Management ability is more than something one is born with or can develop sufficiently with time and experience. It is something which can and should be taught, and we are happy to note is being taught to a much greater extent than ever before. To succeed in any competition with Europe we must continue to develop this and increase the facilities at present offered within the United Kingdom to keep in advance of our continental counterparts and thus consolidate our advantage which we now have over the rest of Europe in the field of Management Development. Professional management will be the future life blood of our industry, for the days of the amateur are over.

Changes in the European Market 1966 - 71

- by -

A.H.K. Edwards

Melbray Catering Ltd.

M.J. Gorman

Thomson Newspapers Ltd.

I.J. Llewellyn

Afoods Group Ltd.

S.J. Osmond

Shell International
Petroleum Co. Ltd.

We found during our visit to the Continent that the main advantages of the European Common Market are normally characterized as lying in the increased efficiency of production resulting from greater specialisation, economies of scale, and the elimination of inefficient enterprises as a result of wider competition. There is a danger that in accepting these truisms the business man may overlook the fact that the changes in European marketing will be even more important than the changes in European production. This is a particular danger in Britain where business still tends to be production rather than market oriented.

The major change in the European market over the next five years may well be the entry of Britain into the E.E.C. - if this is so all the E.F.T.A. countries will undoubtedly follow with the possible exceptions of Sweden and Switzerland whose traditional postures of political non-involvement may lead them to apply for association only. Although the attitude of the E.E.C. to Britain's entry will almost certainly be more flexible when negotiations are resumed than last time, they will not accept major changes to the Treaty of Rome as a condition of Britain's joining the Community. In Europe it is generally accepted and hoped that Britain will join E.E.C. There is a large body of opinion in all the E.E.C. member nations in favour of Britain's entry, albeit for different reasons. Discussion centres on the timing - 1967/68 is at present thought most likely.

By 1971 tariff barriers within the E.E.C. will have virtually disappeared. Indeed, industrial goods' tariffs are due to go in July 1968, but there will be some residual tariffs applying in the case of more recent members, such as Britain and the transitional period allowed for Britain's farm policy to switch to that of the E.E.C. will still be in force. There may also be some residual tariffs in certain agricultural products among the original E.E.C. members. The market thus created will number some 300 million people - larger than the United States market and comparable to it in terms of purchasing power.

This is a vision so dazzling that it is important to remember that national differences will still be strong in 1971, even though the E.E.C. will be pressing forward with their harmonization. There will, for instance, be complete freedom of movement for labour, even including transferability of social security benefits; but experience over the last few years in Europe indicates that labour will not move from one country to another unless forced to do so by unemployment or induced to do so by large wage differentials - both become less likely as the E.E.C. develops. There will still be barriers to free communications, both in the sense of transportation and of language; and Britain, so agonisingly slow in deciding upon and starting a Channel Tunnel and in re-organising her docks, will be particularly cut off from what will be her new domestic market. Also there will still be national currencies, national banking systems and national economic policies. E.E.C. countries pride themselves on the way these have worked against each other to achieve equilibrium - for

instance the recovery of the French and Italian economies in 1964/65 at the expense of the German balance of payments. Finally, although tariff barriers will have gone there may remain a tendency, which certainly exists at present, for xenophobic officials to obstruct imports of competitive products by devious means such as customs delays or detailed legislation concerning product specifications.

Regional differences will also persist. These are particularly important in countries such as Belgium, Italy and Germany which have a short history as nation States. In certain areas with strong geographical links, such as the Rhineland, regional identities may even increase as national barriers fade; this process is given impetus by labour who cross frontiers to work and by families who are able to get better television reception from across the frontier. Apart from these supra-national regions, the regions within national boundaries will be unified only slowly by Government projects, such as extension of the television networks or the construction of new motorways (the Autostrada del Sole is expected to do much for Italy in this respect). Some idea of the magnitude and complexity of these differences can be gauged from the difficulties involved in mounting a nation wide press advertising campaign in Europe. In Italy about 70 newspapers must be used to get national coverage and even in so small a country as Switzerland the number may run as high as 40; Britain is the exception in having a nucleus of high circulation, nationwide newspapers. Other European countries are unlikely to move far in this direction over the next five years, although the spread of Commercial television - at present not developed to anything like the same extent as in Britain - may partly compensate for this.

The political developments in Europe will be paralleled by developments in business organisation. On the other hand large firms will tend to get larger, maximising the economies of scale in production. On the other hand the great family business should continue to prosper, with its built in advantages of low overheads, wider scope for tax evasion and better local knowledge. In contrast, the medium sized firm will tend to disappear, usually by means of mergers or takeovers, except where it enjoys particular specialist advantages.

In order to grow larger firms will have to overcome a number of non-technological obstacles. Most continental companies are under-capitalised: in France overdrafts are rare and difficult to obtain; in Italy the older generation of entrepreneurs dislike diluting their equity by raising new capital outside. They will also have to reform their own management structure, relying more on professionally trained men, and to market through national sales forces. They will have to become more scientific in their market research; there is a plethora of Government statistics in each country, but it is difficult to match bases between countries, or even to make use of what there is; detailed market statistics are generally lacking, though the Nielsen organisation is building these up, and in certain fields consulates and trade associates are of help. It is apparent from past history that Britain has to experience a major crisis

before she is prepared to pull herself out of the rut she finds herself in from time to time and take in the challenge of leadership and competition. The advent of wars have revitalised her in the past. Now her entry into the E.E.C. could have the same effect without her having to incur the horrors of war. But if we are to derive maximum benefit from entry considerable effort must be made now by industry and Government to prepare for the changes that will be brought about.

One of the major areas of change will be in the marketing of consumer goods. The present tendency of continental housewives to shop a little and often, largely as a social habit, will give way before the shift of population from the countryside, where there is an excess of labour, to the towns, where there is generally a shortage. This shortage will also induce more women to work, re-inforcing the trend to supermarket type shopping. At the same time the tangle of legislation which in many countries, such as Italy, so restricts the spread of supermarkets should become more patently absurd as the new ideas of marketing flow across frontiers.

Britain has a great deal of know-how in this field. Companies like Sainsbury's and Marks and Spencer are ahead of their continental counterparts; so is much of our advertising, market research and general consultancy. By careful planning now, before we enter the E.E.C., we may be able to gain more than our competitors from changes in the European market. This is a challenge at least as crucial as the challenge to our production.

An Enquiry into How Managements and Governments are
Tackling the Problem of Labour Shortage in Europe

- by -

G.R. Mathison

M.S. Nolan

J.K. White

J. and P. Coats Ltd.

Martin Emprex Ltd.

J. and P. Coats Ltd.

1. Introduction
2. How scarce is labour?
3. How mobile is labour?
4. What actions are Governments taking?
5. How effectively is Management using labour?
 - (a) Productivity
 - (b) Works Councils
 - (c) Trade Unions
 - (d) Wage Negotiation
 - (e) Supervisory Boards in Germany
 - (f) Worker Attitudes
 - (g) Management Attitudes
6. Verbal Snapshots

Introduction

We sought to find out just how severe the shortage of labour was in the countries we visited: France, Italy, Switzerland, Germany and Belgium, and to establish what Governments and Management were doing to overcome it by increasing the supply and improving its productivity.

We are conscious that a brief visit of two days in each country, despite the wide variety of people we met in Industry, Trade Unions, Advertising, Banking, O.E.C.D., E.E.C. and British Consulates, did not provide opportunity for the thorough survey this topic deserves. However, we hope that this report of the impressions we gained during our tour will be of interest to British government and industry where we submit the major obstacle to growth and a factor contributing to low standards of work and strife is a shortage of labour, particularly skilled.

How Scarce is Labour?

Male and female unemployed as a percentage of working population: -

	<u>U.K.</u>	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>
1962	2.0	2.1	0.5	1.2	3.0
1963	2.5	1.8	0.7	1.4	2.5
1964	1.6	1.5	0.6	1.1	2.8

Unfortunately, we were unable to obtain published figures for 1965 except for the U.K. where the percentage has fallen to 1.4 or figures for Switzerland where nevertheless labour is very scarce. The figures for the U.K. have been taken from the Ministry of Labour Gazette May 1966 and those for the other countries from the 1964 Report of the E.E.C. on the Development of Social Conditions in the Community. The two sets of percentages may not therefore be fully comparable but they do illustrate the generally very low level of unemployment and a tendency if anything for this to decline still further. The figures confirm our impression that the scarcity was most acute in Germany. In Italy the underdeveloped South has been a reservoir supplying industrial North Italy and the rest of Europe. At the peak of the Italian boom in 1963 there are reports of personnel Managers in Milan standing at the railway station to recruit labour moving up from the South. Despite the recession which followed there is still some shortage of skilled labour in North Italy.

From the same sources we calculated the number of working females as a percentage of the total female population in 1964:

<u>U.K.</u>	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>
33	24	32	26*	21

*estimated using 1964 population and 1962 employment figures.

About 60% of the female population are neither too young nor too old to work. Even after allowing for those unfit for work or engaged in bringing up young children we feel this points to a source of supply insufficiently tapped as yet.

How Mobile is Labour?

According to the report of the E.E.C. published in February 1966 on the Mobility of Labour, immigration of workers into E.E.C. countries from other E.E.C. countries and from countries outside E.E.C. has developed from about 450,000 in the year 1960 to about 830,000 in the year 1964. It is interesting to note that while in 1960 44% of the new immigrants came from 'third' countries outside the E.E.C., this percentage rose sharply over the years to 71% in 1964.

The main source of immigrants within the E.E.C. is Italy and outside the E.E.C. the chief sources are Spain, Turkey, Greece, Portugal and North Africa.

Not all the immigrants stay - lack of housing being given as one of the main reasons - others are attachment to home town, climate and family - but the proportion of foreign labour to total working population at the time of our visit varied greatly from country to country. Figures taken from E.E.C. publications and verbal reports indicate the picture to be roughly as follows:-

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Switzerland</u>
Foreign Labour in 000's	30	1,217	285*	700
Approx. % of working population	0.8%	5%	1.5%	33.3%

*inclusive of seasonal foreign labour

Despite disparity in wages -

		Source:- British Embassy Brussels					
		<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Holland</u>	<u>U.K.</u>
<u>April 1965</u>							
Basic Hourly Cost		6/1d	7/3d	5/2d	4/6d	5/9d	6/11d
Basic Hourly Cost plus Social charges		8/9d	9/5d	7/10d	7/10d	7/6d	7/7d

there has been little movement of labour between the full employment countries of Belgium, Germany, France and Holland other than the commuting, daily or weekly, of people living near the border. For example twice as many Dutch in this way work in Belgium as Belgians in Holland. Workers generally seem unwilling to leave their home country unless driven out by extreme

poverty or because of ideological tensions and it follows that the bulk of the immigrants are unskilled.

It is also interesting to note the drift of labour into Industry and Services from Agriculture as, over the years Agriculture has become more mechanised. We were told that the U.K. leads in mechanisation, at least as far as the use of tractors is concerned.

The following figures obtained from the O.E.C.D. show the changes from 1950 to 1962 in the percentages of labour occupied in Agriculture, Industry and Services:-

	Agriculture		Industry		Services	
	1950	1962	1950	1962	1950	1962
U.K.	5.6	4.0	47.7	48.0	46.7	47.9
Belgium	11.1	6.9	46.9	46.6	42.0	46.6
Germany	24.7	13.5	42.9	49.0	32.5	37.5
France	*28.2	20.7	37.1	40.1	34.7	39.1
Italy	*39.9	28.0	32.8	41.1	27.3	30.9

*1954

It would seem that opportunities to draw more labour from the land are less in the U.K. than on the Continent but that there is room for economy in our Services sector.

The need for training and retraining was stressed throughout as being the key to increasing geographical and occupational mobility. We would like to suggest that our schools and training programmes, in addition to being designed to meet the future structure of demand for various types of skill, should encourage a way of thought which accepts and indeed welcomes change. We gained the impression that the Continental business man was less cautious than the British in implementing new ideas and more confident that his employees and the public would accept them.

What Action are Governments taking?

The Manpower and Social Affairs Committee of the O.E.C.D. has laid down guide lines in their 'Recommendation on Active Manpower Policy'. The main areas for improvement are:-

- (i) Employment Services - covering also labour market information and occupation counselling and guidance.
- (ii) promotion of geographical and occupational mobility through financial support and provision of training facilities.
- (iii) selective job creation in cases of manpower surpluses due to cyclical

or seasonal fluctuations or chronic regional under-development.

- (iv) increasing the employability of the handicapped and other marginal groups through physical rehabilitation, educational advancement or special work arrangements.
- (v) income maintenance, social adjustment and industrial relations activities to increase acceptance of change.

United Kingdom

The United Kingdom has, by two manpower policy innovations in 1964 and 1965 established Training Boards with power to collectivise training costs through levies on employers and has introduced an overall system of redundancy pay, collectively financed. Regional development is being stepped up by direct cash subsidies to capital investment. Government training centres are being doubled. Geographical mobility allowances have been increased and the Employment Service reinforced by a 12% increase in placement staff and by training programmes and organisational reforms. Finally, there is the Selective Employment Tax whose chief fault surely is that it is far too unselective.

Belgium

The shortage of labour and use of foreign labour has eased slightly in 1965. Laws of 1961 and 1963 provided a basis for expansion of manpower covering such aspects as unrestricted granting of work permits to foreign labour, expansion of Employment Services, funds to build houses for foreign workers, part payment of their travelling costs of bringing at least three children, language courses, retraining of coal workers, etc.

Germany

The shortage of labour, particularly female, and use of foreign labour is still increasing. The Government in a recent declaration stressed that use of foreign labour cannot be relied upon and that to meet future needs there would have to be internal adjustments and development of labour resources. The Government have introduced subsidies to encourage winter building and 'bad weather' compensation which have nearly abolished seasonal unemployment in the building industry. A scheme for industrial development in peripheral areas was enlarged by one fourth in 1965. The Employment Service has developed a new 'rapid' placement service for temporary and part-time jobs. Social Insurance has been amended to stimulate part-time work for women. Retraining funds have been doubled. We were told that Germany leads Britain in the use of marginal or handicapped labour.

France

There has recently been some lessening in the shortage of labour but foreign labour, particularly seasonal workers, is still increasing. A

National Employment Fund was established in 1963 which is used to share the burden with employers in cases of mass redundancy of adjustment training and income maintenance. There are training programmes particularly for agricultural surplus labour in the Western provinces and free evening courses on a broad scale to promote occupational mobility. The regional development of industry programme has been stepped up. A law in 1964 to promote adaption and integration of immigrants includes financing of cheap housing. The employment service is to be re-organised.

Italy

Unemployment and export of labour increased in 1965.

Emphasis is on the development of the South with financial incentives to encourage investment which include duty free imports.

Attention is also paid to training programmes designed to meet the future structure of demand throughout the country.

Switzerland

With the proportion of foreign labour to Swiss having risen to 1 in 3 (in some industries it is as high as 70%) the government for political, ethnical and economic reasons in what was considered to be an overheated economy has legislated not just to limit but to reduce foreign labour in 1965 and 1966. The method is peculiar and interesting. A firm employing any foreign labour has to reduce its total labour force, Swiss and foreign, by a percentage which we were told was about 10% over two years. This led to a reduction in the first year of foreign workers by about 6.2%. The intention appears to be that this pressure on those firms employing foreign labour to reduce their labour force will stimulate investment in labour saving machinery and free labour for new and expanding industry employing wholly Swiss workers.

At the same time policies for the improvement of national manpower resources have been adopted. New legislation in 1964 provides support to vocational training and retraining of young and adults. The system of vocational guidance and counselling is being widened to serve adults as well as young.

How Effectively are Managements using Labour?

A. Productivity

The ratios given in the following table show the number of U.K. workers needed to produce a given output compared with one worker of the countries listed. It will be noted that - apart from Metal Products - productivity is generally higher on the Continent than in the U.K.

	<u>Italy</u>	<u>Germany</u>	<u>Belgium</u>	<u>France</u>
Manufacturing	0.75	-	-	1.57
Crude Steel	1.98	1.41	1.62	1.45
Chemicals	1.36	1.29	0.90	1.14
Hard Coal	-	1.16	0.90	0.99
Metal Products	0.53	0.70	0.71	0.72
Elec. M/C and Appliances	1.80	1.11	1.44	1.63
Transport Equipment	1.50	1.30	2.24	1.57
Non-electrical machinery	1.48	1.10	1.33	1.50

Source: William W. Allen The Sunday Times, 12th June 1966.

One means of improving productivity is by means of investing in equipment which requires less labour but is usually of a high capital cost and often justified only if operated on a 2 or 3 shift basis.

We found no one working 3 shifts - although we know that some 3 shift working was being carried out in continuous process industries and in some textile factories. We found some 2 shift working, but not much.

A large electronics manufacturer in Belgium was working only one shift because they considered their workers would not like 2 or 3 shift working.

A senior official of O.E.C.D. considered that complacency had been the chief barrier to British managements benefiting from the work of the agencies of O.E.C.D. and that Britain had gained nothing from the O.E.C.D. Productivity Agency (since liquidated).

In our tour we saw that 'cross-pollination' of ideas is very strong between the Continental countries to their mutual benefit. One can compare the way one is always stimulated by a visit within the U.K. to some one else's factory but the idea of going overseas to look for new ideas is more foreign to our nature. On the Continent, neighbouring countries are not separated by water so one barrier is removed. The other barrier is mental and on the Continent we found a more developed attitude of mind to international thinking. One illustration of this was the way in which banks, unions and industry received us. They thought nothing of supplying us with information - written and verbal - in our own language and often brought a large part (not just one or two men) of their management team in to attend our discussions and help answer our questions.

In our short visit we were unable to compare, industry-by-industry, the degree of capital investment per operative and this clearly is a further factor affecting productivity.

B. Works Councils

In all the countries we visited we found the existence of Works Councils. The formation of a Works Council is often a legal obligation upon management. Works Council representatives are not appointed by the Unions but are elected by all employees whether Union members or not. The Works Councils are not empowered to negotiate wage agreements.

In Germany the Works Council consist of 100% employee representations and are legally responsible for enforcing safety regulations, factory act regulations, administering canteen and welfare arrangements and adjudicating on questions arising from wage agreement. They enjoy extensive rights of co-management in regard to price rates, transfers, dismissals and no new worker can be engaged without its approval. A situation which opened our eyes to this constructive power of the Works Councils is the action they took over redundancies in the German Steel Industry. The Works Council, repeat the Works Council in a Steel Company, co-operated with the Works Council in a then expanding Electronics Company and took the initiative in placing redundant workers from the Steel Company in the Electronics Company.

In countries where the employees in a factory can belong to different political unions an advantage of the Works Council is that it allows negotiations (other than wage) to take place between management and one body only.

Another salient feature of the Works Council system is that factory problems such as piece rate disputes, interpretation of wage agreements, disputed dismissals, etc. are dealt with by the Works Council and do not involve bringing in the Union as such - as in the U.K. Thus small problems are not unduly magnified. Compare the common U.K. situation of petty problems sometimes causing vast trouble and occupying undue amounts of valuable management time and effort.

Conclusion: Governments and managements have taken more positive and effective steps on the Continent than in the U.K. to consult and negotiate with employees at factory unit levels and to encourage workers to identify themselves with the success of their firms and country.

C. Trade Unions

We visited the headquarters of three Trade Unions and were addressed by the leader of a fourth.

We were greatly impressed by the efficiency and sense of purpose of Continental Trade Unions and by the calibre of their leaders. We were received by teams of men who answered our questions in good English. We were given booklets in English describing two of the unions and their objectives.

Craft unions do not exist on the Continent as in the U.K. Instead they have the following alternatives:-

1. Germany

Each factory is officially classified into a certain industry and all its employees belong to one union. Thus in a factory classified as a Metal Working factory all employees, including electricians, cooks and carpenters belong to the Metal Workers Union. A cook employed by the Railways would belong to the Railway Union. A cook would belong to the Food, Drink and Catering Workers Union only if he was employed in the catering industry.

In Germany unofficial strikes are illegal. An elaborate system of appeal exists and disputes which are not settled by Works Council can go through four levels of appeal and finally are settled in the District Labour Court with possibility of appeal to the Federal Labour Court.

2. Belgium

Two main unions: Christian Trade Unions
Socialist Trade Unions

with roughly equal membership. Both unions said they co-operated and did not compete in negotiations with employers. Within each union the organization is on an industrial basis.

3. Switzerland

Unions are not very militant and are organised on an industrial basis. In 1937 the Swiss trade unions signed a 'Treaty of Industrial Peace' with the employers agreeing that disputes would be settled by joint negotiation. Each side deposited a substantial sum as a guarantee from which penalties can be extracted for breach of these agreements. In the past 10 years there have been only 2 strikes.

4. France

There are about five unions based on political beliefs each of which, however, is organised on an industry basis with a section for each industry. There are also sections within an industry for members at all levels so that in the engineering section of a union there are members varying from unskilled labourers to graduate research workers. The union leader who addressed us had previously been a coal mine manager and had graduated through the ranks of the 'Cadre Section' of his union (the section for white collar workers) to the position where he represented all workers in his union as President of the C.F.D.T. One effect of unions being politically based is that a strike in one industry is usually supported by members of the same union in other industries. So

the situation arises when electricity and other service workers are in strike in support of say car workers. This makes the strike unpopular with the wives and contributes towards its early collapse. Strikes tend to spread far but end quickly.

5. Italy

There are three politically based unions also organised on an industry basis. They do compete with one another in trying to secure best wage levels for their members.

We were told that strikes occur only at the period when the 3 year contract is being renewed and then only for say 24 hours and on an official basis.

Conclusions

1. Partly as a result of having had to reform completely after their destruction during the war, Trade Unions seem to have evolved on the Continent on an industry or political but not craft basis. Thus they have avoided the demarcation problems which are so troublesome in the U.K.: troublesome not only in the sense that they hinder efficient deployment of labour in the U.K. but also in that they weaken the identity of interest and community feeling of the workers in the success of their firm while stimulating the grievances which arise over questions of relative advantages gained by different classes of worker.

2. The Continental Union's attitude to automation seems more realistic than in the U.K.

3. In general the Union leaders we spoke to seemed to hold and seemed to have transmitted down through the ranks of their unions a far more responsible and constructive view than one finds in the U.K.

4. There was a genuine consideration for national prosperity. Where an industry was declining there was recognition of this fact and action support in replacing labour. There was co-operation with Managements to become more efficient and a willingness to temper wage demands where the industry clearly could not afford them.

D. Wage Negotiations

Wage negotiations were generally on an industry wide basis between the employers organisation and the unions or group of unions. They were applicable on a nation wide basis but different levels of wage rate might be agreed for different areas (e.g. North and South of Italy) and they were usually subject to cost of living increases.

Good firms often pay rates higher than the nationally agreed minimums.

E. Supervisory Boards in Germany

An interesting feature of most German companies is the existence of two Boards of Directors: the Executive Board responsible for managing the company and the Supervisory Board who appoint the members of the Executive Board and supervise its activities. The Supervisory Board is responsible to the shareholders. Some of its members are appointed by the shareholders but some must be elected by the Company employees.

The degree of employee representation on the Supervisory Board ('co-determination') was fixed for the Iron, Coal and Steel industries at 50% by the British occupation authorities and has remained so ever since.

In other industries this proportion is $\frac{2}{3}$ Shareholder nominees and $\frac{1}{3}$ representing company employees. Trade Unions in these other industries would like more co-determination because they feel that this would give them better opportunities to gauge whether an industry is capable of affording wage increases.

One Trade Unionist said picturesquely that they would like the companies in their industry to have 'POCKETS OF GLASS' so that all could see how much money was available. Another, when asked about redundancy referred to the German Steel Industry where full co-determination exists. He described the union's attitude as one which accepted that redundancies were a necessary inconvenience to the workers.

They could see that redundancy was necessary and they could see that redundancy was only an inconvenience because the displaced workers would have little difficulty in securing alternative employment in the present German economic situation. For such attitudes to be taken by union leaders we considered very enlightened.

F. Worker Attitudes

We were told both in Belgium and in Germany by managements experienced with U.K. and Continental labour that worker attitudes to training, to foremen and to management were far better in Europe than in the U.K.

A feature of the postwar period in Europe has been the startling economic recovery or 'miracle' in Germany, Italy, and to a lesser extent France, Belgium and Switzerland. This can partly be attributed to a great feeling in each country that everyone should roll up their sleeves and work hard to repair the ravages of war - a feeling that was much less marked in Britain because war was never actually wages on British soil.

This spirit is now on the wane and in Germany and Switzerland for instance we heard of a marked deterioration:

'People aren't working as hard as they used to'

'The first thing a man asks me when looking for a job is - 'how much holidays?''.

But there is still a big gap and worker attitudes are much better on the Continent than in the U.K.

A leading German Trade Unionist, when asked whether it was true that work standards were deteriorating in Germany under conditions of rising standards of living and over full employment, avoided answering the question directly by replying that the trouble with the German worker from a Trade Unionist point of view was that he was still, 'too amenable to discipline'.

A clue to the reasons for better worker attitudes in Switzerland was provided in a discussion when some of our guests (British and Swiss) concluded that Swiss workers were:

- 1) More skilled individually and had greater pride in craftsmanship - this having a historical foundation in the development over the years of small scale highly skilled industries which were not subject to the tensions of industry employing unskilled or semi-skilled on a large scale as in the U.K.
- 2) Were generally better educated and hence not easily led by the irresponsible element in a union.
- 3) Had more easily realised ambitions and were happy with the pleasures available to them. A Swiss worker with his car could enjoy the resources of his country to his fill.
- 4) There was, however, a strong tendency to leave the dirty and unskilled work to foreign labour, the higher percentage of which is creating social and economic problems.

Illustrating the attitude of the average Swiss we heard about the National referendum, five years ago, in which the proposal to reduce the working week from 48 hours to 44 hours was rejected. One of our guest speakers (British, resident in Switzerland) related how he had asked a shop assistant how she felt about the result and was told

'It had to be 48 hours because this is the wealth of our country'

While we were unable to get comparative figures we formed the impression that absenteeism was however quite high on the Continent. Of interest was a Belgian Electronics Manufacturer's statement that some improvement in female absenteeism was observed when girls worked in groups mixed with men, due, he thought, to feelings of pride aroused.

Conclusion

Worker attitudes on the Continent are clearly far better than in the U.K. mainly for historical reasons but we had the feeling that their troubles may be still to come and perhaps ours in Britain are at their worst and must surely now improve.

G. Management Attitudes

In reading, lectures and discussion at Cranfield we have learnt about modern management techniques, for instance the use of Operational Research, Network Analysis and Computers. We saw evidence of the use of these on the Continent. We have also learnt at Cranfield that people can be motivated to work well by forces other than the 'stick and the carrot' and that a worker's performance is affected by factors other than the obvious physical ones of work place layout, lighting, rest periods, hours of work, etc. This was discovered in 1924 when the famous Hawthorne Experiment was carried out to assess the affect of some of these physical factors. The researchers discovered when investigating the effect of improved lighting on one group of operators that performance improved but so also did the performance of a control group when the lighting had not been changed. What had been changed in both groups was the management attitudes and this was what had caused the improved output. These experiments were continued over a period of 5 years and fully reported in the year 1924. A more recent example is the vastly improved performance of miners in the British Coal Industry - as a result of an investigation by the Tavistock Institute - work was arranged on a group basis so that members of a team could participate in the whole cycle of the coal mining operation rather than acting as isolated individuals having no link with the previous or following operations.

We have learnt that a man is motivated to work effectively by having a job which allows a feeling of achievement, responsibility and earned recognition and that the things which dissatisfy people are often peripheral such as seniority rights, work rules, tea breaks, fringe benefits, etc.

While on the Continent we tried to find out by closely questioning every management team we met how conscious they were of this new thinking about motivation. While there was some small move in this direction there was nothing very significant to note.

Were an industry to run short of a basic material it would move heaven and earth to find substitutes, alternative sources or to make better use of the limited supply. The help of the research scientist would be enlisted and all suggestions however fanciful would be considered. We have seen that in matters of motivation the Continent is no more advanced than we. Throughout Europe it is shortage of labour which is the real limiting factor yet little is being done to develop new and more effective ways of motivating men. Surely here we have an opportunity to lead.

6. Verbal Snapshots

As always when abroad the visitor comes home with snaps - ours are verbal and here are a few in the form of quotes:-

'On the Continent business has always been respectable. In England - until recently - only foxhunting had this distinction' - British Managing Director of a foreign subsidiary of large British company.

'One of the Englishman's disadvantages in industry is his reverence for all things old' - same source as first quote.

'In Milan executives work extremely hard. When I was with our company there I couldn't leave the office before 8 p.m. or I'd have complaints from my customers the next day asking why I hadn't answered the 'phone at 7.45. I had practically no home life at all' - U.S. executive of international company.

'America is 10 years ahead of Europe and U.K. in Research and Development' - Leading Official of O.E.C.D.

Some Problems of Exporting to European Markets

- by -

G.O. Cawser

Industrial and Commercial
Finance Corporation

G.E. Kemshall

Stewart and Lloyds Ltd.

D.W.H. Roberts

Pressed Steel Co. Ltd.

Contents

1. Introduction
2. Establishing a Bridgehead
3. Impact of the Common Market
4. Influence of National Character and Outlook
5. British Reaction to European Market Needs
6. Value of Trade Fairs and British Weeks
7. Summary of Conclusions

1. Introduction

This report is based on information collected during detailed discussions with managers of various organisations visited during a 12 day tour of five European cities - Paris, Milan, Zurich, Frankfurt and Brussels. The conclusions drawn are of course subject to the limitations created by the necessarily brief nature of this enquiry.

It should be made quite clear that the Group is fully aware that U.K. Exports last year were in the region of £4,600 MILLION, from which it follows that a lot of people throughout British Industry are doing a great deal of hard work to achieve this. Last year our exports increased by 7%.

However the rate of growth of exports from other countries such as Japan, Italy, France is very much higher. This suggests that we are not keeping pace with the expansion of World Trade generally.

The Group therefore decided to try and find out during this rather short period some of the many problems with which the intending exporter is faced. We should add that we have no illusions that 'Exporting is Fun'. Twelve days in and out of aircraft and living out of suitcases in between over thirty visits and discussions, made it abundantly clear to us that it is not.

2. Establishing a Bridgehead

There are facilities both in U.K. and Europe which provide a great deal of useful information for the intending exporter. This includes assistance from such organisations as the Board of Trade, British National Export Council, Confederation of British Industries, British Chambers of Commerce Overseas and the Commercial Staffs of the various British Embassies and Consulates.

Yet it is surprising to find that many Company don't take advantage of these facilities. In fact, some arrive overseas with no plan, no contacts, no introductions and no real idea whether or not there is a market for their goods!

However, one contributory factor for this hesitance could be the mixed impression that we gained of services one might obtain from various Consular Staffs with whom we talked. We felt that some commercial counsellors lacked experience in commerce, and weren't particularly interested for that matter.

Since the implementation of the recommendations of the Plowden Report the major emphasis has now been placed on helping the exporter.

But the present arrangement of moving commercial consular staff every five years is perhaps not the best way of achieving this aim. We also

wondered whether the commercial staff was always adequate to be able to provide a quick enough turn-round of key information.

At the same time we would question just how much effort should be applied at the U.K. end to avoid time being wasted overseas on enquiries which could be carried out by a desk research at home.

We would suggest that there should be closer liaison between the Board of Trade and the various British Chambers of Commerce overseas. In some cases this appeared to be inadequate. However, we would again emphasize that all these various services should be fully utilised by the intending exporter.

Some exporters don't seem to appreciate what the market wants. Tastes differ from country to country; so it is essential to make some sort of assessment of the market potential. Traditional British goods are always in demand; but these are only a small proportion of the market.

Another critical factor is the appointment of an Agent. This can be organised either through the Board of Trade in this Country or through Embassy and Consular Staffs overseas, who will arrange interviews etc. It is of course wise to select the Agent from a personal interview; and later perhaps to accompany him when he visits some of the customers. Many Agents complain that their employer doesn't altogether trust them; although they are the men on the spot. Furthermore some Firms do not fully appreciate that it may take quite some time for a business to be properly established.

In Germany, for example, it could take 3 years before the exporter starts to make a profit. Furthermore, it is not considered possible to cover that Country adequately with less than 3 representatives. All this must be taken into account when planning the venture at the outset.

British Exporters need to cultivate in their Agent, and through him to the Customer, a sense of assurance that any problems will be adequately and promptly dealt with. This can only really be achieved by regular visits of suitably qualified persons at appropriate levels and who preferably are able to discuss matters in the language of the country.

In any case, it would appear reasonable to maintain adequate liaison between the Parent Company and its Agent overseas, in order to make the best use of his services.

3. Impact of the Common Market

The major effect is without doubt the size of the E.E.C. Domestic Market. This has resulted in greater, keener competition between member States and a steady move towards rationalisation of industries to meet this problem. For example; one German plant is currently producing twice the

combined output of four French factories. The French will therefore have to rationalise in order to compete.

Another small Belgian Electronics Company has linked with a larger Dutch firm in organising its export market. It makes full use of the larger firms' world-wide sales network and technical know-how to boost its own sales. In return it is a major supplier of components to the larger concern.

Internal tariff barriers are scheduled to reduce to nil by 1968. This, together with the external barrier, constitutes a serious obstacle to many British exporters. It is counteracted to some extent by tariff reductions between E.F.T.A. Countries. This makes it cheaper for Switzerland to import cars from U.K. than from Germany. However, this advantage is largely offset by the higher cost of transportation.

It is difficult to see how Britain can overcome this problem except by joining the Common Market. In fact opinion in Europe suggests that this is already a foregone conclusion. The question now is, when will we join?

4. Influence of National Character and Outlook

It is essential to bear in mind when negotiating overseas contracts that each Country is different. There are mutual differences in character and attitude which it is unwise for the foreign exporter to ignore.

A) Germany

The German is very thorough in his outlook, although rather inflexible, as seen in their education system. For example: 12 copies were requested by the then Federation of British Industries of a particular O.E.C.D. Pamphlet. In contrast Germany requested 200,000 copies to distribute throughout her Industries.

The German Worker nowadays is not really any better than his British counterpart. There has been a change of attitude in recent years. He is now far more interested in holidays and time-off and not nearly so keen as he was on working long hours.

The fact that he is more amenable to discipline and likes precise instructions has led to the forming of a '1 union 1 industry' arrangement with legal powers to prevent 'wildcat' strikes. This enables him to work more efficiently as an industrial group, making the German Market one of the toughest in the European community.

Business has always been a 'respectable' occupation in Germany, and hierarchy levels are very important. Expatriates receive a higher status level when dealing with German Companies. The German likes to buy foreign goods through one of his own countrymen; usually he expects to see a sample.

However, he lacks the initiative and ingenuity of the British, when the situation becomes abnormal. Once he gets off the 'tramlines' all sorts of troubles can develop. This makes it important to maintain very close contact with more frequent visits than might at first appear necessary.

B) France

The Frenchman, on the other hand tends to have everything going on at once, in contrast to the British attitude of a logical step-by-step process of doing business.

This calls for a somewhat different approach. He dislikes being told what he wants to buy. He prefers to appraise the goods in a less direct manner and then discuss their sales potential. He also appears to like the challenge of exporting more than the British.

He is nonetheless thorough, and is quick to follow up sales by such things as sending a technical representative to supervise installation of the equipment sold.

We were advised that he often does not consider himself bound by a verbal agreement. It is therefore most important to confirm all contracts in writing.

It was noted that the French exporter appoints Foreign Nationals as Managers, although he engages French technicians. Also the French are quite happy to sell their 'know-how' - on the basis that, if they don't someone else will!

Their Education System is again very rigid. There is little contact between University and Industry - the latter is rather looked down on.

Expatriates are given a reduced status in France; this calls for a tactful approach.

C) Italy

Very many businesses in Italy are family concerns, run by various degrees of Entrepreneur.

This is reflected in the behaviour of their Middle Management; they work together as a team under a 'Father-Figure'. Company loyalty is important. Because of this relationship there is not much movement of Managers between firms.

The Italian businessman is far more determined than his U.K. counterpart. In Milan especially, what takes a British Company months to implement will be achieved in weeks - with the aid of a very co-operative labour force. Also it is quite usual to find him working long hours to late at night. Productivity has considerably increased since Italy joined the Common Market.

D) Belgium

The Belgians are from necessity a Nation of Exporters. 40% of their G.N.P. is exported. They are quick to exploit any marketing opportunity. Their attitude is - why restrict sales to the Home Market, when there is greater opportunity overseas? Again, they have far more drive than their U.K. rivals.

They are more prepared to bargain and give concessions. The British might do well to explore in more detail the possibility of joint ventures with Belgian Firms supplying part of the finished product.

E) Switzerland

The Swiss are a nation of skilled tradesmen; their knowledge has been passed down from father to son. Generally there is a high level of intelligence.

They haven't had a strike since 1937. Large sums have been deposited with a third party by Management and Unions against violation of labour agreements by either side.

Theirs is a very close knit community, used to discussing national matters at all levels. Many decisions are guided by referendums. They are most reluctant to secede any degree of National Sovereignty. It is unlikely that they will ever become full members of the Common Market.

As a member of E.F.T.A. Britain has certain tariff advantages over Common Market countries, when exporting to Switzerland.

5. British Reaction to European Market Needs

A) As Noted by British Expatriates

The British are traditionally reluctant to accept new ideas. This tends to create an impression of complacency abroad. Some British Exporters do not appreciate that the days of 'British is Best' have gone. We gained the impression that the British will insist on thinking British in Europe. This leads to assumptions that what is acceptable on the Home Market is equally suitable for European ones. Up to 50% of intending exporters to some countries are still replying to enquiries in English, prices quoted ex-works in Sterling and using British dimensions and weights instead of metric ones. The only saving grace to this is that to France at least it is better to write in good English than bad French.

The British are often slow to act on customers' enquiries and complaints. Where they may initially just acknowledge the letter of enquiry, the Swiss will arrange to be there in 48 hours and the German will arrive on the next plane!

B) As Noted by Foreign Nationals

Many Foreign Nationals believe that we only export our surplus capacity yet there is a big potential for British Goods in Belgium, for instance, if we were a little more aggressive and took the trouble to search out the full possibilities of this market.

The Belgians are very pro-British. However, they feel that we ought to be more willing to cater for their special needs also. They believe we are far too reluctant to modify our goods to suit them as well as the British Home Market.

It has been suggested that comparatively minor alterations to match these tastes and quality standards could boost trade out of all proportion to the extra trouble and expense incurred. This applies particularly to items like refrigerators and cars.

In the first place, replacement of such items as (say) a crude metal catch by a magnetic version could have a surprising affect on sales. In the second, one car manufacturer has had a particularly bad name for service. This is alleged to be because it markets 4 derivatives, all very similar to the basic model, under different brand names. Service is similarly divided and thus diluted five-fold. (Most mechanical parts are common to all five).

In Switzerland they admire the brakes and engines of our cars; but not the paint or body finish. It is still far behind European quality. They prefer German electrics; ours are too unreliable. Here again, greater attention to detail could give us a higher share of the market, possibly at a higher price.

The general view is that we have too much protection from a strong Home Market. This prevents active tidying up of these criticisms.

We have lost car sales in Switzerland through bad planning and inability to deliver the goods at the right time. Cars required for sale in February have been delivered in October. By which time demand has gone elsewhere and the bodies are left to rust. However, a distorted report then gets back that 'they won't sell at that price!'

6. Value of Trade Fairs and British Weeks

The impressions we gained from all our visits were that British Weeks and Trade Fairs were a tremendous success and created a very big impact initially. But the attitude of some British firms was rather lukewarm in both their support and follow-up to enquiries.

The following principal factors control their value.

- 1) The Country and National attitude.
- 2) The Effort of Consular and other Staffs involved.
- 3) The corresponding effort and support of British Exporters.
- 4) The follow-up to enquiries or orders.

These fairs are particularly important in Germany. This is possibly due to the National attitude which puts business on a 'respectable' plane. There are seven major fairs each year and many smaller ones as well.

The Trade Fairs at Frankfurt are typical. These are run on a strictly functional basis. They are not usually open to the General Public; their purpose is to attract buyers. The result is that they are not usually very decorative affairs; but they do achieve their objective.

It is worth noting that the Commercial Section of the British Consulate in Frankfurt is currently carrying out an enquiry code-named 'Market Germany'. This is the sequel to other enquiries that have been instituted in other European Countries. They are compiling details of the market potential in Germany under 7 main categories. A six-man team will be visiting Britain with this information, which will be circulated to some 800 firms.

To simplify organisational problems and reduce the overall cost to individual firms, the Board of Trade also operates joint venture schemes. These publicise the work of a number of firms in one particular branch of industry. Recently 17 small firms in the textile industry operated a joint venture display scheme in Zurich for a period of 4 days (including the weekend). During this period they obtained £28,000 worth of orders.

British Weeks can also give a tremendous boost to exporters (especially consumer goods). They can of course backfire if the exhibitor is unable to fulfil any orders received.

It is felt that more advantage could be taken by other Companies not directly concerned - (e.g. a mobile machine tool exhibit could be directed from routine visits to be at one of these functions). The reaction of some firms has been rather lukewarm. Even allowing that they do not necessarily intend to offer goods for sale at the particular time, they are still rather slow in following up openings created by enquiries. The impression is gained that the effort they supply is nothing like proportional to that which they would put into a sales drive in the U.K. Market.

Far too great a load falls on the British Overseas Subsidiary in supporting these British Weeks. There should be far greater participation from companies in the U.K. (both financial and otherwise).

We were pleased to learn that the coming British Week in Brussels is being financially supported by H.M. Government to the extent of £350,000, and we sincerely hope that this venture receives the support it deserves from the British manufacturer.

7. Conclusions

It is obviously difficult to draw any firm conclusions after so brief a visit. Nevertheless we did find that there was an underlying pattern of comment throughout our discussions with the various groups of people whom we met.

It would appear that far too many intending British Exporters are not doing sufficient preparation before offering their goods to European markets.

Others seem most reluctant to accept that people of different nationalities think differently and act differently; and that their tastes differ and their methods of doing business differ. This sort of attitude tends to generate misunderstandings over quite minor points, which can easily place in jeopardy an otherwise straightforward business contract.

Very often the most effective way to overcome these problems is to go over and assess the situation at first hand. However, it appeared that some firms were reluctant to do this; although they would challenge the views of their Agent. This was despite the fact that he was the man on the spot and usually a foreign national as well.

Many of the intending exporters' problems would appear to be similar to those which one might easily encounter when launching a project on the Home Market, although their effect is naturally magnified by language and other national differences. It would therefore seem reasonable to expect to have to take at least as much trouble in the Export Market as in the Home Market. However, from what we have seen and heard, we would question that the effort on the latter is always applied in adequate proportion. This is all the more unfortunate if one compares this attitude with the excellent record achieved by the many successful Companies, who are already well established in the European Export Market.