

Example of article review on culture risk eu and the uk

[Business](#), [Company](#)



International Business

Culture Risk, the European Union and the United Kingdom

Introduction

Financial risk is not the only risk that faces international business managers. Now-a-days there is financial risk, culture risk and even environmental risk which must be determined. The United Kingdom has a special relationship with the European Union. The difference with the biggest impact for businesses is the fact that the UK did not adopt the single currency, Euro, with the rest of the European member countries.

This paper addresses the reasons the UK didn't sign on to the single currency. Also a discussion is offered to try to determine the amount of culture risk in the UK and its relationship with the EU as well as some discussion of the types of risks for international investments in the UK.

Shareholders and Risk Assessment

Companies are facing the fact that shareholders have started becoming actively involved in corporate governance. They may be promoting fair trade partners, safe testing practices (such as not using animals for cosmetic testing) or healthy alternatives to fossil fuel based products and that "institutional investors" are taking seriously the role of "corporate governance" as part of business culture. "Recent shareholder activism and increasing public pressure show that companies will have to take shareholder concerns more seriously," (2004, p. 127).

Risk assessments are as important for business as are marketing and a route assessment. Hancock (2004) lists the three steps to follow in any risk assessment.

“ What might happen as a result of the activity being assessed?

What might be the severity of the consequences if the risk becomes a reality?

What is the probability of the risk becoming a reality?” (Hancock, 2004, p. 161)

Environmental risk has been addressed in the UK since the 1970s when environmental organisations such as Greenpeace and Friends of the Earth used the media to publicize risk to the environment. The government has since become more active in protecting the environment by passing and implementing the UK's Sustainable Development Strategy and other laws and regulations which refer to the environment somewhat generally and specifically to certain types of businesses and manufacturing.

A new business or industry will probably be required to submit an environmental impact study. Regulations on pollution will require periodic reporting on certain types of chemicals emitted into the atmosphere, water and soil. Fees will be assessed if the regulations are not complied with.

Risk to workers is another important topic for management to prepare to report to the government about. The UK has the position of Health and Safety executive which is responsible the oversight of employee safety.

Best Practice

The EU is serious about lessening pollution as well as keeping jobs inside the Union. This balance can be difficult for businesses that refuse to be flexible and see the changing regulations as an opportunity rather than a curse. The EU has as a goal to make regulations the same in all EU countries. The UK already has the highest best practices established into business codes so the worry for the UK would be that business and industries will site in other countries in order to avoid the “burden” of regulations.

What will this require of companies? Hancock points out that any commitment to corporate governance needs to be strengthened, become more transparent and their practices will be expected to become more transparent. On the other hand, he has noted a minority opinion that “the optimum of interference from shareholders has already been reached.” (Hancock, 2004, p. 183)

Deciding whether or not to start or even invest in a business in the United Kingdom (UK) calls for considering a lot of complicated issues. One of these is the difference in regulations between the UK and the European Union (EU). The traditionally followed best practices codes for Europe are assumed to be the Organization for Economic Co-operation and Development (OECD) and the International Corporate Governance Network (ICGN). Interestingly the UK has the highest bar set for meeting the goal of best practices (Hancock, 2004, p. 184).

Hancock (2004) has written about responses to a survey on the subject of best practices code for business planning in his book *Investing in corporate*

responsibility: A guide to best practice, business planning and the UK's leading companies. He discusses how a general feeling in a survey on the subject is that all regulations and codes will converge, eventually forming one; that EU directives are the force that will drive this change, already there are signs that European is adopting "voluntary codes" as opposed to the "heavy legislation" in the US.

He reports that "The UK standards are universally judged to be the highest" (p. 184). But a small number of the respondents did not think it would be "appropriate" and could be "potentially counterproductive" for example to impose a "single set of codes from the UK or the US on Europe or Japan." On the other hand one of the respondents pointed out that for a company "it might be worth considering the adopting of US or UK governance structures if the company is actively seeking to broaden its shareholder base in those markets." (Hancock, 2004, p. 184).

Mining, oil drilling, and diamond companies are three of the companies that will be carefully scrutinized for human rights violations. There is also the danger when the international companies are extracting resources from less developed countries who assume that because the resource is in their country the resource belongs to the citizens of the country. In highly-developed countries such as the UK problems have arisen for example when UK citizens have refused to allow pipeline or drilling on their private property even when offered exorbitant amounts of money.

Cultural Identity

Hedetoft (2003) discusses state culture within the European Union as an understood personality by which different countries have taken on certain characteristics which they are identified with, for example “ that the “ British state elites are deeply entrenched in Old Boys’ Networks and many other forms of networking” (p. 39).

But nation-state cultures are not supposed to shut other people out they are supposed to be open in the larger context of the country. And political culture is highly transparent in terms of media reporting on scandals so that it does not compete with the state culture. The European culture and the state culture are not in competition with each other but instead help inform the diplomats of each country on the process of each country therefore leading to easier cooperation due to met expectations (Hedetoft, 2003 p. 40).

Prentice (1992) discussed the UK business culture of “ statute can impose on the directors an obligation to consider the interests of any constituency affected by the affairs of the company as is the case in the United Kingdom with respect to employees” (p. 73). This can be perceived as a risk and must be kept in mind for businesses and investors.

His essay also address the difficulties in harmonizing laws on corporations from one point for example “ The scope of activities expected from and allowed to a director depends, therefore, upon the legal form of the company that the different member countries may interpret the meaning differently. It also matters whether a supervisory board is mandatory; directors' duties stock corporation law.” Other aspects important for international companies

and investors to investigate are differences in tax laws, securities regulation, commercial law, and labour law.

Hargroves and Smith (2005) describe the evolution of UK's Sustainable Development Committee pointing out that a priority strategy is "business, covering sectoral strategies and business leadership" (p. 242). Economic growth is considered one of a three pronged approach to setting goals along with social progress and environmental protection.

Climate change is the number one issue in importance and that can be seen by the amount of attention and support to alternative energy businesses and pollution "trapping" research and development initiatives that are ongoing. Another opportunity for businesses is related to the category of 'Food and Farming' which "emphasizes the total production system. And the last two project areas are also opportunities for business: "policy integration in community and economic regeneration programmes" and "communicating sustainable development." An important point to keep in mind is that these categories and projects match those of the European Union. (Hargroves & Smith, 2005, p. 242)

Single Currency

McCormick (2002) considers the reason that the UK did not sign on to the Euro had a lot to do with the strong public resistance to the idea. (p. 81). The public resisted the idea of adopting the Euro and sharing one currency with the rest of Europe.

Strafford describes the relationship of the UK with the EU as a "struggle over democracy." He insists that the European Union is blatantly undemocratic

and lacks transparency. Stafford further explains his distress, “ The European Commission, the Council of Ministers and in some cases the European Parliament can now make laws affecting the people in the UK which the UK has to accept . . . The EU now produces a tide of documentation affecting every aspect of our live from the way we do business to the price we pay for our food. . . . Without reform there is the possibly that the EU will self-destruct. . . . John Major became Prime Minister in 1992 and by September of 1992 the UK dropped out of the Exchange Rate Mechanism which had been set up as an interim step towards creating the Single Currency.”

On the other hand Lloyd (1996) offers this assessment which critiques the anti-European Monetary British, the Euro-skeptics.

“ But a principled assertion of British - English? - nationalism demands a principled definition of what Europe should - in the enthusiasts' view - become. Is it to be a nascent state? Or a trading area with frills? Or is it to be - as I believe it should be - a new invention, with some of the attributes of a federal state, some of a commonwealth?”

This shows just how far apart the two sides are for the UK on integrating the Euro. In general one side sees it as an issue of ‘ English nationalism’ on the other side the advantages of easier trade, business and travel are enough for joining.

Conclusion

The UK has a large part of its population holding strong a strong cultural identity. This led to a strong voice against the Euro, single currency.

Government and companies have started recognizing of maintaining separate currency in terms of attracting more international trade. The UK already has a high best practices code and addresses the same concerns about risk as the European Union. Some of the concerns against the Euro appear to have subsided so perhaps the attractiveness of market harmonization will allow for reconsideration of becoming a member of the Euro.

I would like to end on a positive note by pointing out that there are other trading partners in the world for the UK; many with much greater cultural differences from the English than Europe has. At the first of the year an announcement was made that the “ British gas-owner, Centrica, has signed and 2 billion pounds sterling contract to import liquefied natural gas from Qatar.”

Perhaps this is a sign that the UK will join the EU sooner instead of later. For the UK to join the EU so much would be easier for businesses. Europe does have a culture identity and historically the UK has been a part of it. Sharing one set of laws and regulations with Europe rather than the current duplicity would also make starting a business or investing in the UK much more attractive.

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