

A NOTE ON THE SINGLE EUROPEAN MARKET — OPPORTUNITY OR THREAT?

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Introduction

A survey completed in April 1988 shows that managers in Northern Ireland have an awareness, but lack a full understanding of the completion of the single European Market in 1992. They also show signs of complacency about its impact despite a desire to know more. The survey methodology and results are described below.

Survey Objectives

The survey was designed to establish the level of knowledge about the advent of the single internal market within the countries of the European Community in 1992, and to indicate how managers saw the advantages and disadvantages for their organisations.

Survey Design

A 24-question survey was distributed to the 500 members of the British Institute of Management (BIM), Belfast Branch. Entitlement to membership of the BIM is by examination to postgraduate level, and/or appropriate management experience. Respondents, therefore, are, senior or middle managers. The survey covered three areas: (i) company status; (ii) knowledge of the provisions of the internal market; and (iii) the advantages and disadvantages for the participants' organisations in a single internal market.

The questions were based on an extensive search of the Commission of the European Communities' literature,¹ tempered by material issued by employer organisations,² and newspaper reports. Especially useful was the excellent 1992 column of "The Times". The questions on knowledge and advantages included descriptions and examples where necessary. This detail is not shown in the tables below.

Survey Response

The response rate was 33%. The 165 respondents were analysed by 13 British Standard Industrial Classifications (SIC) plus 'Other'.

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Respondents did not answer every question. This is shown in response rates in the tables, which range from 160 to 165. Comparing the profile of respondents' organisations to that shown in the 1981 Economic Activity Report³ indicates a representative sample of Northern Ireland's managers, from agriculture, through manufacturing and construction, to the health service, as shown in Table 1. The profile of the size of organisation reflects the tendency of larger companies to contain a greater proportion of BIM members, as shown in Table 2.

Table 1: *Awareness by Industrial Classification*

Category	Number of Managers		% in Category
	Aware	Not Aware	
Agriculture	4	1	3
Mineral Extraction	1	0	1
Engineering	4	2	4
Manufacturing	20	5	15
Construction	10	1	7
Distribution	11	0	7
Catering	1	0	1
Transportation	7	0	4
Communications	7	2	6
Banking	12	0	7
Health Service	5	2	4
Civil Service	8	5	8
Public Service	21	5	16
Other	26	3	18
	137	26	100
N = 163			

Survey Results

Awareness

Eighty four percent of respondents knew that in 1992 there would be a single internal market. The analysis by SIC is shown in Table 1. Awareness is much higher within the private sector than within the public sector. Managers in the larger organisations were 'less' likely to be aware of this: 20% were 'not aware' in three sizes of organisations: 50-99, 100-299 and 300+ employees, compared to 10% in the smaller (1-9 and 10-49) categories (as shown in Table 2).

Table 2: *Number of Employees in Respondent's Organisation, and Number of Respondents who were Aware/Unaware of Proposal to Integrate Markets*

Size	Number of Employees		% in Category
	Aware	Not Aware	
1 - 9	28	3	19
10 - 49	27	3	20
50 - 99	13	3	10
100 - 299	12	3	10
300 +	54	14	42
	134	26	100
	N = 160		N = 161

Understanding

In the seven following questions, within the questionnaire, designed to probe respondents' understanding, the results were less encouraging. Though 86% knew there would be free movement of goods, only 48% understood that there would be free movement of capital. Responses to the other 5 questions on the free movement of people, services, and the removal of fiscal, technical, and physical barriers showed a 40-50% 'incorrect' response. Results are shown in Table 3. (The correct response is to 'Believe'.)

Table 3: *Knowledge of the Effects of the Single Internal Market*

Which of the following do you believe is proposed for 1992?	Percentage	
	Believe	Do not Believe
removal of physical barriers	56	44
removal of all technical barriers to trade	61	39
removal of technical barriers between states	52	48
Which of the following will happen in 1992?		
free movement of people	51	49
free movement of goods	86	27
free movement of services	70	30
free movement of capital	48	52

N = 137, as only those who claimed to be aware of 1992 were asked to respond.

Preparation

Eighty nine percent of the individuals questioned stated that they had not sufficient knowledge about how to cope with new conditions in 1992. Organisations seem as badly prepared, with only 11% having allocated personnel specifically to investigate the effect of 1992.

It may be salutary for the 'obvious' providers of information — such as the confederation of British Industry, BIM, and Government — to observe that when asked about information sources, 78% noted TV and newspapers. The next most used source was BIM, at 18%, with others scoring much lower.

A broad question: 'Would increased competition as a result of the removal of barriers to trade be a threat to your company?', showed 25% of managers in non-exporting companies felt threatened, as compared to 35% in exporting companies. Sixty five percent of non-exporters believed there was 'no' threat.

Twenty five percent of managers in the public and civil services believed they had sufficient information to deal with the single integrated market. This confidence is almost entirely lacking in the commercial and industrial world, with zero confidence in seven classifications and 5%, in the others.

Advantages and Disadvantages of 1992

Twelve questions on the advantages and disadvantages of the single integrated market met a mixed response. Respondents were allowed to indicate if the question was 'not applicable'. The number of cases therefore differs for each response. Two types of question were used. Both asked for a response to proposed benefit on an advantage/disadvantage scale, and a 'yes/no/don't know' basis. The results are presented in their different formats in tables 4 and 5.

Lack of understanding

In these responses it is the 'don't knows' who provide the most interesting results: 22% did not know if a reduction in costs due to the removal of border formalities was an advantage; 30% did not know if national product regulations were adjusted thus allowing an influx of competing similar goods, whether it would be an advantage or not; 20% did not know if increased competition (as a result of removal of barriers to trade) would be a threat to their company; 39% did not know if product regulations were standardised on a community wide basis whether the opportunities afforded by potential new markets would outweigh the cost encountered in accepting EEC norms; and 40% did not know whether the removal of controls on the movement of capital was advantageous or not.

Table 4: *Advantages of the single integrated market*

	Percentage			N
	Advan- tage	Disad- vantage	Don't know	
If the removal of border formalities reduced costs would this be an	77	1	22	80
If technical barriers to the flow of goods were removed is this an	60	20	20	91
Would the adoption of common product standards opening new market opportunities be an	42	19	39	100
Would the availability of a wider range of financial services be an	50	10	40	96
If adjustment of national product regulations resulted in an influx of competing products would this be an	29	41	30	70

Table 5: *Benefits of the single integrated market*

	Percentage			N
	Yes	No	Don't know	
It is proposed to approximate VAT rates between countries. Would this alter the trading pattern of your company	29	53	18	103
Would you prefer to make one single product which could be sold without modification in all EEC countries	61	16	15	147
Would increased competition as a result of removal of barriers be a threat to your organisation	29	51	20	114

These 'don't knows' show that many managers do not simply view the single integrated market as a benefit. For example, the 21% who 'do not know' if cost reductions due to changes in border controls are advantageous, must be concerned that they may be more advantageous to their competitors. If we extend this interpretation to the other

questions, there is no clear majority, in all but one case, on whether the proposition statement is felt to be an advantage or disadvantage for the organisation.

Advantages?

The lack of detailed knowledge is a cause for concern. One must wonder whether it is blind optimism, provoked perhaps by racy Government advertising, rather than solid Ulster realism — which had respondents believing there were advantages from:

- cost reductions with the simplification of border controls (77%);
- opportunities to sell with simplified controls on the flow of goods (70%);
- the removal of technical barriers as differing product regulations or national safety standards were removed (60%);
- and the opportunity to make one single product design formulation which could be sold throughout the EEC (68%).

However, 40% believed it disadvantageous (compared to 36% advantageous) if product regulations were to be adjusted to encourage the influx of similar products to compete in the Northern Ireland market itself. Finally, 53% believed they would not benefit from the approximate levelling of VAT rates throughout the Community. It would appear that Northern Ireland business is not anticipating a raid on the Southern market!

Conclusion

The Commissions' message for managers is: 'The path to this Europe without frontiers is clear, it will require determination and perseverance but the rewards will be well worthwhile' — (*Europe Without Frontiers*, p.54).

We see from the survey that many managers are not clear about the implication of the single market. If they do not understand this, they cannot plan for the market. Others, who claim to understand, in fact do not. If they plan on this imperfect knowledge, their organisation may suffer. It is clear from the survey that much needs to be done. The results of the survey will, we hope, inform and direct efforts into the most important areas.

REFERENCES

- (1) The European Commission's literature is extensive. In all cases the author is the Commission of the European Communities, and the publisher the Office for Official Publications of the European Communities, Luxembourg. The most useful sources were:

- 1.1 "Europe without Frontiers — Completing the Internal Market", *European Documentation Series*, Periodical 4, 1987.
 - 1.2 "Completing the Internal Market" (1985), White Paper from the Commission to the European Council.
 - 1.3 "Single European Act" (1986), *Bulletin of the European Communities*, Supplement 2/86.
 - 1.4 *Eurobarometer — Public Opinion in the European Communities* (December 1987), No. 28.
- (2) Economics Department, *British Institute of Management* (1987), New Business Horizons in Europe, Completion of the internal market and the management implications, British Institute of Management Foundation, Corby.
- (3) Department of Health and Social Services, Registrar General Northern Ireland (1983) The Northern Ireland Census 1981, Economic Activity Report, HMSO Belfast.