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Restructuring in SMEs: Greece

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Introduction

Major changes have taken place in recent decades regarding the institutional setting that governs world trade and the provision of products and services around the globe. These transformations, which include institutional reforms, the establishment of neoliberal policies alongside intensified competition, the opening of new markets and related technological advances, have driven the scope for the implementation of alternative strategies at the firm level. Within the framework of the globalising economy, the related analyses have utilised a large part of empirical work aiming to investigate, among other things, the processes related to, and the impacts of, these alternate strategies on firms around the world.

A common characteristic of these approaches refers to a particular focus on the role of large-sized enterprises (LSEs), and especially transnational corporations (TNCs), as this type of firm had already expanded the scope of their activities via the organisation and participation in global production networks (GPNs) (see Henderson et al, 2002). However, their subsidiaries and domestic firms of smaller size have gradually become an integral part of these networks, as a part of their efforts to remain competitive in the contemporary economic environment. Hence, a clear distinction is drawn in relation to firms of different size, even though small and medium-sized enterprises (SMEs) and their struggle to remain economically active require, at least, an equal attention, given their significance and contribution to economic and regional development.

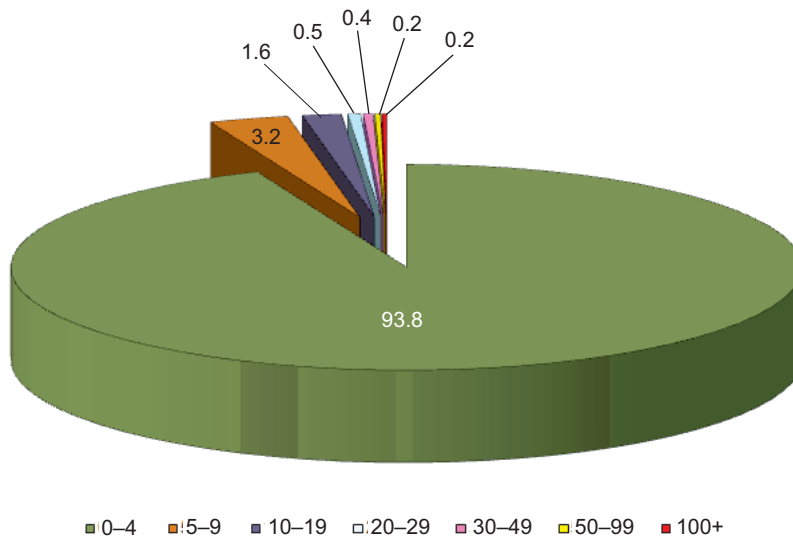
SMEs constitute the ‘backbone’ of national economies, since their share exceeds 99% among the total number of enterprises in the EU27, and, as a result, they account for a large share of total employment as well, especially in the case of the less developed regions. It should be noted here that the vast majority of these enterprises refer to micro-firms, which employ fewer than 10 people and whose share of the total number of business units is greater than 90% for the EU27. Hence, despite the fact that we adopt here the European Commission’s definition of SMEs¹, the reference to this type of enterprise mainly involves micro-firms and their peculiarities, an argument particularly valid in the case of Greece in this report.

Specifically, according to data provided by the Hellenic Statistical Authority, 99.8% of the total number of Greek enterprises employed fewer than 100 in 2003, a share which remained at the same level until 2006. As shown in Figure 1, the vast majority of them (93.8%) are micro-firms with fewer than five employees, while enterprises employing more than 100 represent only 0.19% of the total number.

In terms of contribution to employment, Greek SMEs stand for more than 80–85% of total employment, in contrast to 10–15% for large-scale enterprises (LSEs) during the period 2005–2012 (see Figure 2). As far as contribution to gross value added is concerned (at factor costs), SMEs in Greece maintain a share which exceeds 70% during the period 2005–2012, with an average figure of more than €53 billion, compared to €21 billion in LSEs for the same period. Once more it is indicative that almost half of SMEs’ gross value added involves firms employing fewer than 10 employees.

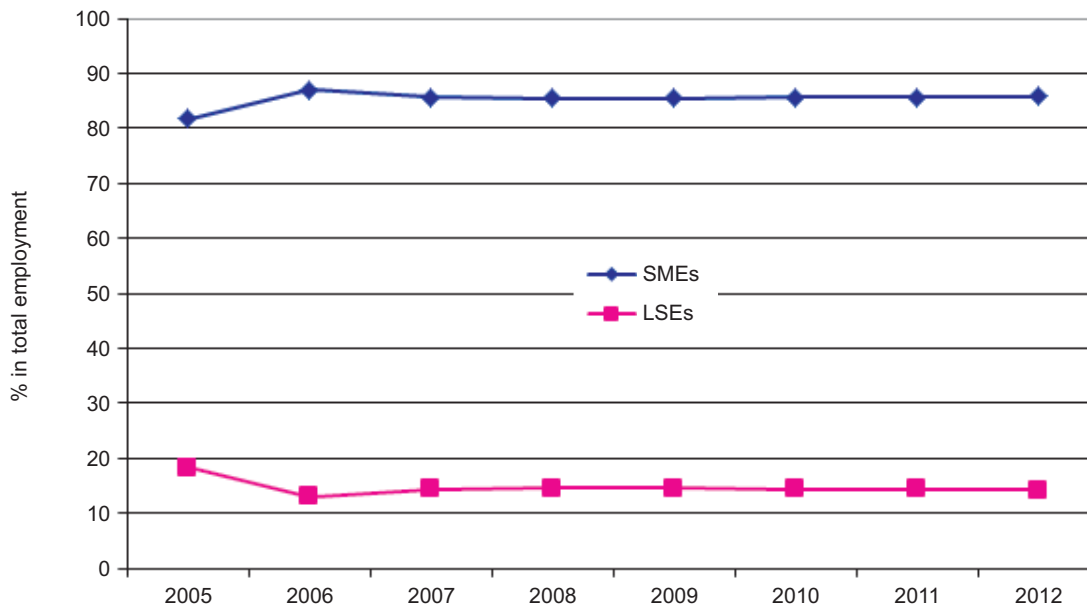
¹ See http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

Figure 1: Share of Greek enterprises according to total number of employees, 2006 (%)



Source: Compiled by the authors – data from Hellenic Statistical Authority

Figure 2: Share of Greek SMEs and LSEs in total employment, 2005–2012 (%)



Source: Compiled by the authors – data from Annual Report on EU Small and Medium Sized Enterprises 2010/2011

These data highlight the central role of SMEs in Greece, but a comparison with EU27 average figures sheds some more light on this issue. As shown in Table 1, the Greek economy is based more heavily on micro-firms compared to other European countries, in terms of total number and contribution to employment and total value added. As Mihail (2004) and Doxiadis (2011) also argue, Greece belongs to a group of countries (together with Spain, Portugal and Italy) where employment in SMEs is higher than the rest of Europe and particularly with regards to self-employment and employment in micro-firms, as the country presents a share which reaches 57.6% of the total, compared to 29.8% for Europe and 20% for northern Europe (Table 1). Hence, it is evident that when a reference is made to the Greek private sector, this mainly involves small-scale business units, which quite often include self-employment or family-owned firms with fewer than

five employees. Partially as a result of this fact, these firms are confronted with a series of barriers, such as lack of financial resources and traditional management methods (see Makridakis et al., 1997; Liargovas, 1998), as will be discussed later.

Table 1: *SMEs in Greece compared to EU27 average figures (estimates for 2010)*

Size	Number of enterprises			Employment			Value added		
	Greece		EU27	Greece		EU27	Greece		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	719,952	96.5	92.1	1,447,218	57.6	29.8	27	35.3	21.6
Small	22,832	3.1	6.6	438,792	17.5	20.4	16	20.6	18.9
Medium-sized	2,893	0.4	1.1	264,427	10.5	16.8	12	15.8	17.9
SMEs	745,677	99.9	99.8	2,150,438	85.6	66.9	55	71.7	58.4
Large	563	0.1	0.2	362,055	14.4	33.1	22	28.3	41.6
Total	746,240	100.0	100.0	2,512,493	100.0	100.0	77	100.0	100.0

Source: *Adopted by the Annual Report on EU Small and Medium Sized Enterprises 2010/2011 – SBA Fact Sheet: Greece, p. 1*

Regarding the external factors, which affect SMEs' structure and performance, the wider changes in the global economic environment have equally affected firms in Greece, which additionally present certain peculiarities. Specifically, Greek firms have been based for a long time (especially during the period 1960–1995) on subcontracting assignments from the developed economies, particularly in sectors such as the garment industry, which shaped the most significant means to internationalise their activities (cf. Labrianidis and Kalantaridis, 2004; Labrianidis and Vogiatzis, 2011). However, following the intensive internationalisation of economic activities throughout the globe, which also enhanced the entry of new competitive producers (mainly in terms of prices) from the east (Smith et al., 2002), these firms seem to have lost their competitive advantage, which involved lower labour costs. Added to that, participation in the European Monetary Union (EMU) since 2001 imposed fiscal constraints which have resulted, among other factors, in an accumulated loss of competitiveness over time, despite Greece receiving extensive financial support through Commission initiatives (for example, Community Structural Frameworks) as these funds are rather used as a mean of short-term survival for Greek firms, instead of being invested to ensure long-term growth, competitiveness and profitability. Thus, a delay in the needed investment activities for technology and knowledge transfer in the manufacturing sector was observed. These facts, combined with the general lack of innovative character among Greek firms have placed them in a vicious cycle of underdevelopment, where low investments in knowledge and technology-intensive activities have resulted in lower profit margins and global competitiveness. Thus, the economic 'euphoria' created during the period 1999–2005 was gradually reversed, as the structural weakness of the Greek economy emerged in the most striking way.

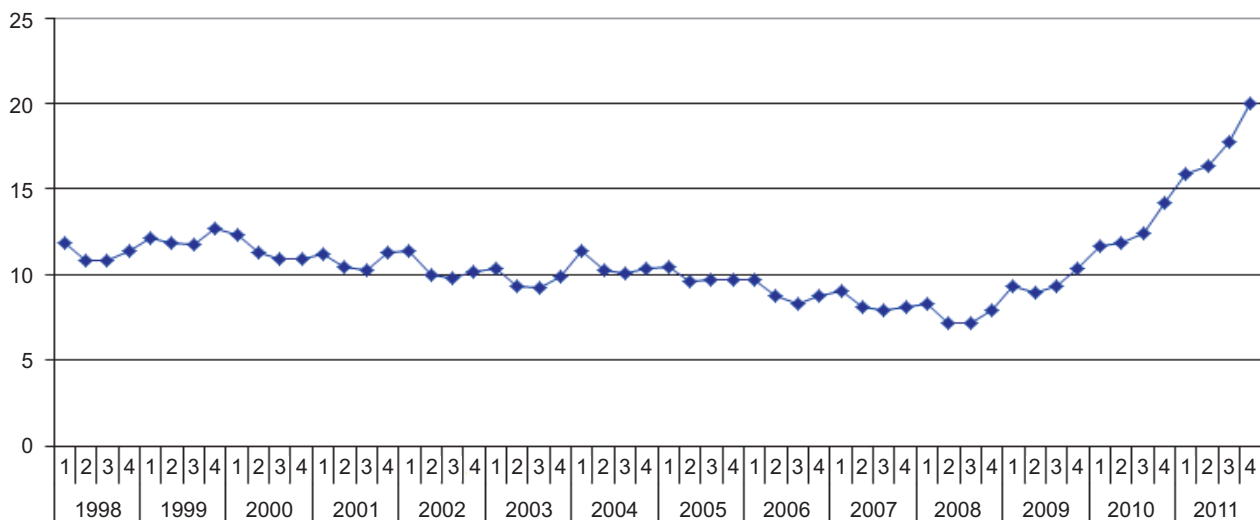
Since 2009, Greece has been in the epicentre of the global financial recession for several reasons, such as the destabilising role of financial institutions and rating agencies around the globe (De Grauwe, 2010; Nelson, Belkin, and Mix, 2010), the uneven development inside the EU (Lapavitsas et al., 2010; Hadjimichalis, 2011), but also owing to several 'internal' factors and barriers related to public sector deficiencies. Such factors and barriers include the weak national tax system (Featherstone, 2011) and the extended shadow economy, which is estimated to account for 20–30% of GDP (Schneider, Buehn, and Montenegro, 2010; Pavlopoulos, 2002). The country is now struggling to confront the debt crisis, while recent austerity measures, proposed and implemented as part of the country's agreement with the EU and the IMF, were met with great scepticism by Greek society, leading to riots and social unrest.

Those facts allow us to sketch the general picture of the environment in which Greek SMEs have operated during recent years. On the one hand, extremely competitive forces are present on a global scale, which impose cutbacks on operational costs for firms in order to remain competitive, while, on the other, the economic and social crisis creates

additional barriers and pressures, such as low access to bank financing. Specifically, banks are nowadays extremely reluctant to lend to Greek firms because of tight funding constraints due to the sovereign debt crisis, a fact that enhances the vicious cycle of economic recession and severely affects Greek SMEs' efforts to remain active. Combined with the traditional management methods employed in several firms, restructuring activities appear essential for the Greek economy as a whole. Even though restructuring in LSEs, especially in sectors such as banking and telecommunications, has been discussed frequently, public debate in Greece has also been concerned with bankruptcy/closures or internal restructuring. The common characteristic in both cases refers to massive lay-offs, which have contributed to a stressful upward trend of unemployment rates. Even though, according to data provided by the National Statistical Authority, Greece's unemployment rate averaged 10% during the period 1999–2009, it was reported to slightly exceed 20% in December 2011 (see Figure 3). Hence, the aforementioned types of restructuring appear as a 'hot topic' in public debate today, mostly with the reference to the massive exodus of a significant part of the active population from the labour market or even from the country, as Greece is also facing a significant loss of graduates who migrate abroad to seek better employment opportunities (see Labrianidis, 2011).

However, restructuring per se has received a narrower attention by the relevant scientific research, as it will be later illustrated, mostly owing to the small size of Greek firms, atypical forms of employment, the 'internal' nature of the restructuring processes evident among Greek SMEs and the relatively small size of the Greek economy. Thus, it is useful to highlight from the outset that both the available literature on restructuring and the empirical evidence from SMEs in Greece are extremely restricted. This report aims to fill this gap, to a certain extent, by providing evidence from both the (limited) secondary and some recent primary resources regarding SMEs' restructuring in the country, as well as an assessment of the basic characteristics and peculiarities, motives and impacts.

Figure 3: *Unemployment rate (%) in Greece (1998–2011 trimesters)*



Source: *Compiled by the authors – data available from Hellenic Statistical Authority*

Relevance of different types of restructuring for SMEs

Different forms of restructuring events of the same type are often evident between SMEs and LSEs, as the case of merger and acquisitions, for example, illustrates. Specifically, acquisitions usually involve buy-outs of smaller business entities by larger firms, a fact that obviously creates different impacts, as smaller firms are more often the targets and larger firms are the buyers (Sakai, 2002, 12–3). This does not mean that SMEs are not engaged in these activities as buyers, but rather illustrates that a distinction between SMEs and LSEs emerges even within the same type of restructuring, regarding both the motives and the impacts of these procedures. Moreover, in the case of Greece, SMEs have received less attention, given that the majority are micro-firms and their restructuring efforts are less ‘impressive’ compared to LSEs, a fact that can also explain, at least to a certain extent, the relative dearth of literature and empirical data regarding Greek SMEs’ restructuring efforts. However, it is useful to examine the available evidence for the alternative forms a restructuring event might take in the case of Greek SMEs’ sector, an analysis that follows.

Relocation

According to the European Restructuring Monitor (ERM)², relocation refers to business activities staying within the same company, but relocated to another place within the same country. What is implicitly stated in this definition is that firms’ location can affect business growth, performance and survival. The New Economic Geography approach proposed by Krugman (1991), suggests that transportation costs define, to a large extent, location decisions, which in turn define the spatial distribution of economic activities. When transportation costs are high, firms tend to locate in smaller markets in the periphery, in order to avoid the related expenses. On the contrary, as the above-mentioned costs are diminishing, a concentration of firms is observed in the core, where agglomeration economies are possible. At the same time, several studies have shown that a group of companies located in the same region and linked by different types of interdependencies (clusters) are more efficient, as they experience greater cost economies through interaction mechanisms and learning procedures, compared to competitors outside these nexuses (Pouder and St John, 1996). It is, therefore, reasonable to expect that SMEs will tend to locate in specific regions where such benefits are achievable.

This argument seems to be confirmed in the case of Greece, where evidence of relocation events is rather weak, as a high concentration of economic activities, especially in the manufacturing sector, has long (since the 1960s) been evident in the metropolitan Athens area (Coutsoumaris, 1964), given that this area presents specific agglomeration advantages. Specifically, this concentration could be explained by the location of final demand, external economies and economies of scale, the location of sources of raw materials, as well as the centralised character of the Greek economy as a whole, which has led more than 35% of Greek firms to be located in the Greater Athens Metropolitan Area³ and almost 50% of GDP to be attributed to the Region of Attiki (which includes the capital city of Athens) in 2009.

A study of the determinants of hazard rates of new firms entering Greek manufacturing in the 1982–1992 period (Fotopoulos and Louri, 2000) shows a clear separation between firms located in the capital (Greater Athens region) and those located in the rest of the country. More than 50% of the cases examined were small firms (mean size in employment 37.72 employees) operating in the capital, with better survival prospects compared to their counterparts. Thus, the existence of strong centripetal forces can explain the centralisation of manufacturing activities in Greece, which also foster regional disparities. According to Monastiriotis (2009), the country presents a rather peculiar case of economic geography, characterised by a largely fragmented socio-economic space, where issues of spatial connectivity and dependencies are evident, although far from defining them as clusters, owing to the unique attributes of the Greek

² <http://www.eurofound.europa.eu/emcc/erm/index.htm>

³ According to data for 2002 by the Hellenic Statistical Authority.

economy and society. Thus, a clear need emerges as regards the related interventions that could address the causes of this heterogeneity, than on ones that rely simply on redistributing resources from better-off areas to poorer ones (Monastiriotes, 2009, 41).

Hence, it could be argued that relocation events for Greek SMEs are rather restricted, while they mainly involve shifts to areas promoted by high economic incentives, defined by institutional interventions and the related elimination/reduction of specific costs. However, both the evidence and the results of those movements have not been widely assessed in empirical terms, for example in the form of comparing the performance of firms located in industrial districts and their counterparts. In certain cases those shifts were ‘fictitious’, in the sense that the available funds did not eventually promote the relocation and actual operation of SMEs in the Greek periphery, rather than, simply, the construction of manufacturing plants. At the same time, evidence is extremely weak regarding restructuring events of this type among Greek SMEs.

Outsourcing

The dominance of SMEs in the Greek economy render these firms as potential outsourcing receivers, since, as Galanaki and Papalexandris (2005, 383) indicatively note, ‘outsourcing potentially may have more impact than in other countries, as it allows the small-sized client to enjoy the benefits of the economies of scale achieved by the vendor’. This argument implies that Greek SMEs are more likely to receive outsourcing, than assign subcontracting to other firms. However, this is one side of the coin only. Specifically, as the example of the clothing sector in Greece illustrates, the expansion of manufacturing firms since the 1970s was based on subcontracting assignments from developed countries. However, after 1980, those firms started to assign (second level) subcontracting in other firms located especially in northern Greece, while this shift included crossing borders to embrace the southern parts of Bulgaria and the former Yugoslav Republic of Macedonia after 1990 (see also next subsection), as part of a scheme that was described as ‘triangular manufacturing’ (see Labrianidis and Kalantaridis, 2004).

On the other hand, a study by Voudouris et al. (2000) on successful Greek SMEs (including 20 firms with an outstanding performance during the 1993–1997 period) reveals that they tend to go against current management practices and keep production processes under their direct control, rather than subcontracting or outsourcing, as those procedures are considered to harm satisfying customers’ particular needs. These ‘hidden champions’ focus particularly on quality, since, as the authors note (Voudouris et al., 2000, 669), ‘lowering production costs do not form their basic priority, especially when quality is considered to be negatively affected’. Obviously, one should bear in mind that these empirical findings refer to ‘best practices’, including Greek SMEs which adopt innovations along the whole value chain, by monitoring new technological advances and introducing new products and services rather frequently. As such, these examples differ significantly from the majority of firms in the clothing industry. Hence, a division emerges in relation to Greek SMEs competing in terms of cost and time and those focused on quality, technology and innovation. For the former, outsourcing is a reasonable alternative in order to survive in the low-cost and time-based competition in the long run, while in the latter cases, these procedures seem to be less common.

However, the majority of Greek SMEs fall into the first category, since for a long period they have been based on low-cost strategies. This argument does not apply only to small firms, as a comparison between SMEs and LSEs reveals (Spanos et al., 2001). Specifically, both types of firms have placed an equally high priority on lowering costs during recent years, a fact that should not be treated as a surprise, given extremely low business expenditures on R&D in Greece.⁴

⁴ The share of gross expenditure on R&D by the business-enterprise sector in Greece equalled 31.1% compared to 54.2% for the EU27 during 2005, according to Eurostat data.

It is also interesting to note here that data on organisational change (for example the implementation of new or significantly changed organisational structures and relations with other firms, such as outsourcing and subcontracting) show that these 'shifts' were more frequent among Greek firms compared with the EU during the period 2000–2003 (Kitsos and Hatzikian, 2008). However, there is little empirical evidence concerning the exact nature of these procedures in the Greek case, which results in a poor understanding of the motives behind this trend.

The same stands true for studies focused on particular sectors, such as pharmaceuticals (Malindretos and Moschuris, 2008) or tourism (Buhalis and Deimezi, 2004), which are also dominated by SMEs. In these cases, restructuring events are examined 'ex-post' or, in other words, are treated as strategic options, which impact on firms' performance after their execution. As a result, the insights on how these changes occur and what their impacts are, especially as regards employees, during the period of implementation are rather rare.

Offshoring/Delocalisation

The cases in which business activities are delocalised or outsourced outside national borders are more common among Greek SMEs, mostly owing to geographical proximity with regions where labour costs are significantly lower (for example, Albania, Bulgaria, the former Yugoslav Republic of Macedonia, Romania and Turkey). As a result, a significant number of entrepreneurs have decided during the last 20 years to delocalise part or the whole of the production process to these areas to maintain a competitive advantage in international markets. Similar processes are observed for Greek firms in other sectors, such as trade or services, where restructuring in the form of subsidiaries or joint ventures abroad has occurred.

Delocalisation of Greek firms in the Balkan region was initiated during the early 1990s, resulting in a concentration of Greek foreign direct investments (FDI) in three countries until 2000: Bulgaria (41%), Albania (20.5%) and Romania (20.5%). Of these investments, 47% involved trading companies, while industry (mainly the clothing sector) accounted for 36% (Labrianidis, 2001). This phenomenon included firms of different sizes, since, for example, large companies such as the Hellenic Telecommunications Organization (OTE) accounted for almost 50% of the total capital invested abroad, but the majority of Greek investments in central and eastern Europe have been made by SMEs, as large companies were estimated to represent only 26.8% of Greek firms operating there in 2000 (Karagianni and Labrianidis, 2001). This entry of Greek firms in neighbouring markets could be seen as the outcome of the general trend regarding SMEs around the world to go international, although it included some particular motives and characteristics that will be analysed in the next section.

Nonetheless, it is useful to note here that the majority of these cases involved the geographical shift of specific production segments (almost exclusively the labour-intensive ones), resulting in an equivalent loss of jobs in Greece, since manufacturing plants had shut-down their operations, while only the administrative centres of the firms were retained in Greece. Moreover, while most of these geographical shifts initially involved the creation of subsidiaries abroad, in the process their parent companies ceased operations in Greece, owing to the more favourable business environment in the neighbouring markets (Karagianni and Labrianidis, 2001, 10).

The recent economic crisis has also stimulated this specific type of restructuring for Greek SMEs, as it is estimated that 1,500–2,000 have delocalised their activities in neighbouring countries (including Turkey, Cyprus and Romania) during the last two years, according to information provided by the National Confederation of Hellenic Commerce.⁵ Moreover,

⁵ See <http://www.esee.gr/page.asp?id=3289> (accessed 2 March 2012)

according to a recent study conducted by the GSEEVE Small Enterprises Institute⁶ with the participation of 1,200 firms employing fewer than 50 people, it is estimated that 30% of micro-firms located in Athens and Thessaloniki, mostly in manufacturing, consider delocalising their activities abroad in the months to come, as for 87.3% of the total sample the economic situation has deteriorated during the second half of 2011. The results illustrate the pessimistic attitude of Greek entrepreneurs against the new austerity measures and the available financial means to overcome this situation, compared to the conditions in other countries, with a particular emphasis on lower tax rates, ease of doing business and financial support from the banking system in countries such as Bulgaria, Turkey and Cyprus.

Hence, even though this particular form of restructuring has not yet received wide attention by scholars and academics after the economic crisis, it constitutes a significant topic of public debate in the country (in the mass media), particularly in line with policy proposals that could reverse the current situation for small firms, such as an equitable tax system, which could also mitigate the negative impacts this type of restructuring poses for employment (Imerisia, 2011).

Bankruptcy/Closure

Business failure is a field of analysis that a large number of academics and professionals have been working on, usually in the form of credit assessment by financial institutions such as banks, which has become a hot topic especially during the last four years due to the global financial recession. Numerous techniques exist which aim at predicting bankruptcy and providing objective indicators to measure them (see Dimitras et al., 1999). In the case of SMEs, empirical evidence seems to confirm that size is associated with more frequent market entry and exit (c.f. Mata et al., 1995; Dunne et al., 1988; Dunne et al., 1989; Cosh et al., 1999).

Greece does not seem to be an exception to that trend, even though the country presents some peculiarities, such as the extremely low mean size of firms in terms of employment and the exceptionally high share of self-employment among total employment. According to data for the period 1986–1991 (see Liargovas, 1998, 204), the SME sector experienced an average natality rate (as a percentage of the total stock of firms)⁷ equal to 2.15, compared to 9.63 and 10.37 for two other less developed Member States, Ireland and Portugal, respectively. On the other hand, as far as mortality rates are concerned, in the case of Greek SMEs it averaged 0.2 for the same period, compared to 9.2 for Ireland and 8.7 for Portugal. It is, thus, evident that the number of business start-ups in Greece was higher compared to the number of firms that discontinued their operation during this period. According to more recent data presented by the Athens Chamber of Commerce and Industry (<http://www.acci.gr/>), the balance remained positive, but the rate of firms' births to closures reached 4.25 in 2006, 3.0 in 2008 and 2.4 in 2009, while there were 62,781 business start-ups compared to 56,037 closures, a rate equal to 1.5 in 2010. Hence, a declining rate is evident during the period 2006–2010, which diminished further during 2011, since it was as low as 1.04 for the first four months of the year (Ministry of Development, Competitiveness and Shipping, 2011), mostly owing to the economic crisis.

To make things worse, the inability of the Greek banking system to create a stable and secure financing system for SMEs (and not only for them) is likely to negatively affect the aforementioned rate even further, since, as Liargovas has argued years ago (1998, 2004), 'the financing problem of Greek SMEs becomes more pronounced within a *liberalised financial system* and also with an economic environment of *fiscal and monetary restraint*', such as the one prevailing today.

⁶ See http://www.imegseeve.gr/images/en/survey_1_2012/survey_%20presentation_january2012.pdf (accessed 3 March 2012)

⁷ The natality rate is defined as the ratio of new enterprises to the existing stock of enterprises, while the mortality rate is defined as the ratio of closures to the existing stock.

According to a recent study regarding the general economic climate in Greece (GSEVEE Small Enterprises Institute, 2012), almost 90% of the representatives of small firms which participated, mentioned that the situation regarding their business operation deteriorated during the second quarter of 2011, while more than 180,000 (24.3% of the sample) micro-firms are likely to be at the risk of closing during the next months, since they cannot reverse the current situation, including their negative balance sheets.

Merger/Acquisition

Mergers and acquisitions (M&A) are often considered to be an efficient means for firms to enter new markets, acquire new competitive advantages, internationalise their activities and enjoy economies of scope and scale. Even though in several cases a positive nature is attributed to this type of restructuring, success is by no means assured, due to a number of reasons (Papadakis, 2005, 236–7). Moreover, acquisition is often characterised as a failure of the acquired firm, since it is considered to be the last alternative for a distressed business, which is forced to sell all of its assets to another firm (Bruton, Oviatt, and White, 1994). Smaller firms are usually the targets and larger firms are the buyers. Hence, LSEs have received wider attention regarding M&A strategies, while SMEs' point of view has not been equally assessed.

The size of the firms involved is often cited as one example of the critical success factors in the specific type of restructuring, while the main hypothesis is that the larger the acquiring company in general, the smoother the implementation process is for both the acquiring company and the acquired one (Larsson and Finkelstein, 1999). However, relative firm size has been also cited as a statistically insignificant factor in other studies (c.f. Bruton et al., 1994). Therefore, it is not always clear whether the relative size of the acquired firm plays a significant role in the successful restructuring effort.

Nonetheless, size is only one of the factors affecting this process. Papadakis (2005), for example, has proposed a model which categorises variables under four distinct, albeit interrelated, categories, namely: a) context variables (environmental hostility, technology); b) M&A characteristics (consequentiality, price/premium); c) firm characteristics (experience, formalisation of decision making, size); and d) communication programme (existence of a communication programme, point in time when the programme is designed, frequency of communication and percentage of employees leaving the company). Although a distinction is not made between SMEs and LSEs in the specific model, it is useful to focus on the last two categories, particularly for smaller firms. As regards firm characteristics, Greek SMEs usually lack experience in such restructuring events, while the degree of formalisation in the decision-making process is rather low. With regards to communication programmes, SMEs are again less likely to formulate and implement a well-planned and timely programme to ensure efficient communication with employees, especially in cases where the owner is solely responsible for procedures and the number of employees is small. Therefore, SMEs, and particularly very small firms, are perhaps less successful in a M&A project, a fact that can possibly increase uncertainty for employees, as the fieldwork conducted in Greece in the framework of this project also shows. Ironically, this will not affect the post-merger evaluation of the firm, since this is usually undertaken from the acquirer's perspective and it is most often combined with measures of financial performance, such as share prices, which, obviously, do not involve small firms.

In Greece, the phenomenon of M&A has mostly been analysed with regard to LSEs, such as in the banking sector (c.f. Reztis, 2008; Pasiouras and Zopounidis, 2008). Moreover, the general trend is that this form of restructuring is usually assessed ex-post, by measuring performance indicators for acquiring companies (c.f. Pazarskis, Alexandrakis, and Karagiorgos, 2010; Agorastos, Pazarskis, and Karagiorgos, 2011). Hence, the empirical evidences concerning the restructuring process implemented, and particularly in SMEs, are again, rather restricted in the case of Greece.

Internal restructuring

Internal restructuring is possibly the most common and perhaps the most heterogeneous form of restructuring observed in the SME sector, given that it mainly affects changes implemented with regards to business ownership, employment and differentiation of production processes/strategies. The ‘internal’ character of this type of restructuring could explain the relative dearth of any related and comparable statistical data across sectors and countries, as well as the low public or media attention, given also the small size of the business entities involved. Internal restructuring constitutes a less ‘abrupt’ change for a firm, compared to cases such as delocalisation or M&A, but it should not be treated as an effortless or less painful procedure for owners and employees in SMEs. It is rather its ‘every-day’ character, given that these changes do not always occur at a specific point in time, rather than being part of a longer term strategy evident in the firms’ everyday operation, that creates such an impression, as well as its, often, atypical nature, which does not impose a completely detailed and predefined plan, at least compared to other forms of restructuring such as the ones presented above. Hence, it could be argued that internal restructuring events are often continuous processes, hidden in normal business activities, rather than being explicitly planned and addressed.

In an effort to provide some details on this particular type, it is useful to examine two indicative instances of the phenomenon in Greece, namely changes regarding: a) ownership and b) employment. The first refers to changes as regards the owner(s) of a small business, but a distinctive attribute compared to M&A is evident, since in these cases it involves ownership succession by a family member or perhaps by an employee who has been working there for quite a long time. The significance of such an event is crucial for family businesses, which are considered to be one of the engines of post-industrial development, since they enhance transfer of entrepreneurial talent and independence (Poutziouris, 2001). This type of restructuring is also viewed as a means to achieve better performance and competitive advantage through the maintenance of an idiosyncratic knowledge that is acquired in a ‘learning by watching and doing’ fashion between family members (Bjuggren and Sund, 2001, 14). However, empirical data show that the percentages of family businesses that are transferred to second and third generation are as low as 30% and 15% respectively (c.f. Sonnenfeld, 1991). These figures could also explain the relatively high natality and mortality rates for Greek SMEs that were previously mentioned. At the same time, they can justify the interest raised concerning the factors that affect satisfaction within the succession process and the effectiveness of satisfaction per se (see Pyromalis and Vozikis, 2009).

Data on a global scale regarding the most popular changes to ownership place ‘sell/pass to family member’ as one of the most frequent options (Table 2), showcasing, on the one hand, the high shares of family businesses among their total number and, on the other, the importance of this type of restructuring. It is also interesting to note that sale to, or passing the business to, a family member is not only the most likely method of changing ownership for privately held businesses but also the only one to have increased in popularity since 2007.

Table 2: *Most popular type of change in ownership – global average percentage*

Year	Trade sale	Bring in private equity/bank investors	Flotation/ IPO	Sell/pass to family members	Management buy out/ buy in	Sale to employees	Merger	Other
2009	18	14	8	23	13	7	9	6
2010	25	20	15	15	16	10	16	7
2011	24	19	9	18	12	8	20	11
2012	14	13	7	16	7	7	21	12

Source: *Grant Thornton 2010*

In Greece, family-owned businesses represent a common phenomenon in numerous sectors of economic activity and it is indicative that all three case studies conducted during the project involved firms whose current owners had succeeded other family members (parents or grandparents). According to a study conducted by Grant Thornton (2002 cited by Pyromalis and Vozikis, 2009), while the percentage of family firms is around 70% in Europe, Australia and Asia, it is reported to exceed 80% in Greece. Moreover, the share of Greek family businesses' owners who wished to choose their successor from within their families exceeded 50%, while only 7% of them expressed an intention not to involve their children. Hence, succeeding in succession constitutes a critical step in ensuring survival and long-term growth for small firms in Greece.

Regarding changes in employment, this is mainly affected by the general business environment in Greece, which is, in certain cases, characterised by atypical forms of employment and a weak legal framework, as far as obligations and privileges for owners and employees are concerned respectively. This atypical nature is further enhanced through family ownership and the small-scale activities observed in the Greek SME sector. Hence, restructuring events differ in that they do not involve a specific point in time where changes are planned and implemented, rather than a general mentality and attitude of the person who runs the business, even when the changes are seasonal, following the fluctuations of demand. Thus, the notion of flexibility occupies a central role within this type of internal restructuring and it is interesting to present some insights from Greek SMEs, given that recent employment relations deregulation among Greek SMEs creates the conditions for particular types of internal restructuring.

Flexible production systems constitute a central issue in the post-modern era. The clear need to adapt to the changing conditions surrounding firms' operation throughout the globe imposed the championing of labour flexibility, in terms of number of employees or via the weakening of the regulatory framework. It is, thus, illustrative that flexibility of employment practices was assigned a focal role by the European Commission back to 1994, as the assessment of the 'White Paper on Growth, Competitiveness and Employment' reveals.

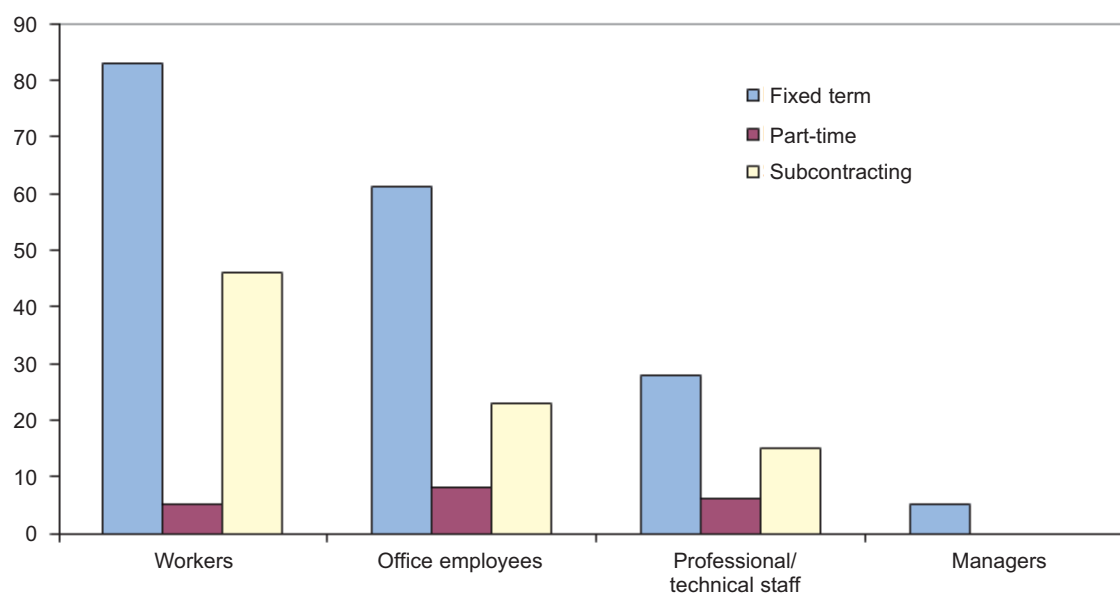
Work flexibility is usually analysed in terms of new managerial practices observed, such as performance-pay systems or/and flexibility in the number of employees and their working hours, which constitute the core of human resource management (Beaumont, 1995), which are supposed to increase performance and competitiveness, especially for smaller firms, which face additional constraints compared with LSEs (c.f. Ferner and Hyman, 1992). These arguments have driven the intensification of requests regarding the deregulation of business environment and the establishment of flexibility arrangements, which are also promoted through the decentralisation of collective bargaining and agreements on wage levels, which were also evident in Greece. These developments are mainly based on the 'flexible accumulation' that advanced economies witness (Amin, 1994) and are promoted via the successful nomination of examples, such as the 'Third Italy' case.

The labour market in Greece was in the past characterised by a (supposedly) extremely centralised collective bargaining framework, which was gradually abolished through the introduction of measures such as part-time employment in 1990 and the relevant legislation in 1998 (see Kufidu and Mihail, 1999 for a detailed description). The recent General Collective Agreement for 2010–2012 imposes no minimum wage increases for 2010, while from mid-2011 a link to European inflation is foreseen (Eurofound, 2011). It is also worth mentioning that this constitutes the first time in the country's history that such a derogation mechanism from sectoral collective agreements is in place, mostly due to the economic crisis, which illustrates the interconnection between the financial recession and restructuring processes in Europe and especially in Greece.

These transformations of the legislative framework surrounding employment conditions in Greece are recent and, as a result, there is no empirical evidence so far. However, an interesting study conducted by Kufidou and Mihail (1999), employing a sample of 22 Greek firms, including SMEs, investigated the extent to which management practices in

Greece had moved towards decentralised and flexible working arrangements, which constitute a form of internal restructuring. The results illustrate that, even though a centralised collective bargaining framework was evident, companies implemented bargaining at the firm level at one of the highest levels across Europe. Moreover, a clear trend was also apparent regarding the firms that have introduced performance-pay systems, as almost half of the participating firms reported to act in this way, especially at the professional/technical and, above all, the management level. Equally high was the share of firms that had introduced atypical working patterns, such as fixed-term, subcontracting, and part-time contracts (numerical flexibility), especially among workers and to a considerably lesser extent among managers or professional and technical staff (see Figure 4). Hence, a difference emerges regarding impacts among different levels within firms' employment hierarchies. On the other hand, functional flexibility, which is 'related to firms that empower multi-skilled workers, capable of dealing with the technologically advanced equipment, who work in teams and exhibit organisational commitment' (Gialis, 2011, 413), was reported to be low among Greek firms, a common attribute of southern European countries (Brewster, Hegewisch, and Mayne, 1994).

Figure 4: Flexible employment arrangements among Greek firms (%)



Source: Adopted by Kufidu and Mihail 1999

The atypical forms of employment in Greece were confirmed by a study that involved the restructuring strategies of SMEs and LSEs in Thessaloniki (Gialis, 2011). The empirical results illustrate that both types of firms are able to take advantage of atypical forms of employment, albeit in different ways. The common characteristic in both cases is seeking cheap labour from the locally diversified atypical employment pools. Thus, shifts to employment schemes, such as working without any contract, seasonal hirings and firings, and/or unpaid extra working hours are reported to be frequent, especially in small and micro-firms, where overworking is a mutually accepted practice for both employers and employees in order to increase profits and incomes, respectively. However, even though numerical and functional flexibility is achieved, the local structures remain still unchanged, at least in terms of innovative production, automated machinery and non-hierarchical network-based practices, posing some questions on how restructuring is implemented in SMEs and what the respective impacts are on employment (Gialis, 2011).

Restructuring events, which include numerical flexibility in Greek SMEs, often rely on informal employee relations and do not take the form of external flexibility (Mihail, 2004). This can also explain and be explained by the absence of collective employee representation in Greek SMEs, which further enhances the use of atypical, internal labour flexibility patterns, most often in favour of the owner(s). This type of restructuring is usually associated with a flat organisational

structure, generic job descriptions and firms in which interpersonal relations seem to be more important compared to contractual arrangements and external flexibility. Thus, even though a centralised collective bargaining framework exists in Greece, it seems that SMEs remain ‘one-man band’ businesses (that is, the owner). It is the owner who is responsible for creating interpersonal employment relations, thereby affecting internal restructuring processes. Thus, these firms manage to maintain their market position, through low production costs and flexibility in working hours and number of employees, in accordance with fluctuations in demand.

Business expansion

Even though the empirical data on restructuring for Greek SMEs are not capable of providing an accurate picture, it could be argued that the empirical investigation of Greek companies that internationalise their activities refer mostly to those who have outsourced their activities to firms abroad (either owned by a Greek entrepreneur or not). Hence, a distinction between delocalisation and internationalisation is not always clear, since some of these cases refer to firms that initially maintained their operations in Greece, but finally were forced into closures while retaining the subsidiary abroad. Thus, in certain cases internationalisation, as defined here, could be examined as the ‘first phase’ of delocalisation.

Internationalisation of Greek firms has been mainly triggered by the development of GPNs around the globe via subcontracting assignment, as the example of the clothing industry in Greece and Japan (see Yamamura, Sonobe, and Otsuka, 2003; Labrianidis and Kalantaridis, 2004), indicatively illustrate. This is despite the fact that empirical evidence shows that this type of production can be very volatile, disappearing almost as quickly as it is was secured, especially in countries where the main competitive advantage is low cost (Smallbone et al., 1998). Nonetheless, satisfactory empirical data on Greek SMEs’ internationalisation are not in general available, mostly owing to their accumulated loss of competitiveness over time that did not allow them to expand in new market segments abroad in other ways.

As far as restructuring events that involve changes in strategies are concerned (for example offering new, differentiated products) the examples among the Greek SME sector are again rather scarce, given that most of the firms have for a long time been based on low-cost strategies and in labour-intensive sectors. Specifically, as Porter (1980; 1998) has shown, two types of competitive advantage can be identified: differentiation and low cost. In the case of Greece and especially after the participation in the EMU in 2001, it was believed that Greek firms would be forced to change their competitive strategies and enter new markets, an argument which has not been confirmed until today.

Drivers of restructuring

The main aim of this section is to shed light on the most important drivers of restructuring in Greek SMEs. The discussion synthesises findings from the review as well as from the three case study firms. An effort was made to present the most important motives and enhancing factors in relation to the types of restructuring presented above, so that a comparison is possible among the different categories.

Starting with relocation, the main driving factor involves incentives provided by the state, for example, tax reductions, as part of wider efforts to decentralise economic activities in the country and enhance regional development through parallel attempts to reduce regional inequalities. Within this frame, the role of the National Developmental Laws (1262/82, 1829/90, 2601/98, 3299/04 and the recent 3908/11) has been crucial for both new business start-ups and relocation of businesses given the division of the geographical area of the country in different incentive zones. The establishment of the industrial zones in Greece, constituted through Law 4458/68, was another major driver for relocation, aiming at the improvement of infrastructure in the periphery, the stimulation of Greek firms' competitiveness and the modernisation of the production system. The available infrastructure, the general facilities and the various incentives (financial etc.) provided in these areas proved to be a major attractive factor for firms located elsewhere, as illustrated also by the owner of a case study firm:

'My grandfather was the founder of the company, but it was then located in Kavala, which is about 30km from here and this is where I also live. When the industrial zone was built here in Xanthi, my brother and I decided to relocate our activities, owing to the facilities provided here, such as the system of biological treatment of waste water. As you can understand this is of crucial importance for a firm engaged in the food sector; such as my firm, since we had a lot of problems with our wastes in our previous location'

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

Transportation costs and access to raw materials constitute another factor in the decision to relocate the firm's activities elsewhere in the country. Our interlocutors' views confirmed also that transportation costs are one of the most important elements of the total expenses a small firm should examine carefully prior to a decision regarding the settlement or the relocation process, while easier access to raw materials can also stimulate this type of restructuring. For Greek SMEs, geographical proximity to countries with lower labour costs or access to raw materials is the most decisive factor in selecting the firm's or a subsidiary's location, thus fostering delocalisation instead of relocation, in certain cases:

'Our initial plan was to use a land the company owns, which is about 25km away from Thessaloniki in order to set-up our new production process there. But then we realised that it would be less expensive for us to relocate this activity outside the national borders and particularly in Romania. As you can see, this type of decisions now involves a close examination and calculation of the related expenses and this is not, at least usually, in favour of the Greek regions'

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

For outsourcing, unit costs constitute the most important factor among Greek SMEs. As the clothing industry illustrates, lower production costs was the main reason behind the initial participation of Greek firms in GPNs initiated by larger firms located in developed countries, where labour costs were constantly rising during the late 1960s (Fröbel, Heinrichs, and Kreye, 1981), combined with favourable trade relations between Greece and the EU at that time (Simmons and Kalantaridis, 1995). Following the post-socialist transformation across Europe, the emergence of new competitors contributed to the creation of pressures for those Greek firms, which started to assign second level subcontracting in neighbouring areas (such as the southern parts of Bulgaria, Albania and the former Yugoslav Republic of Macedonia) in order to control costs. Hence, lower labour costs constitute the major driver of this type of restructuring in Greek SMEs combined with geographical proximity, the emergence of a 'newer division of labour' and the low-cost orientation of the majority of firms involved.

At the same time, fluctuations in demand can trigger the frequency of subcontracting assignments, since Greek firms in northern Greece were assigning second level subcontracting in ‘household production units’ found around Thessaloniki as well, in order to meet the production deadlines assigned. However, as the empirical results demonstrate, outsourcing is a less frequent alternative for those (few) Greek firms focused on high-quality and, thus, the family nature and the small-scale business of the SME sector can also explain the numbers involved in subcontracting assignment schemes.

Moving on to delocalisation/offshoring, the empirical evidences highlight three interrelated driving factors, namely: lower production costs, the general business environment and geographical proximity with the Balkan region. It is obvious that Greek SMEs which decided to delocalise production abroad are mainly driven by lower labour costs. This fact is interrelated with the general backwardness of the Greek production base in which investments in new technologies have not been made, thus creating a type of path-dependency in terms of stickiness to low-cost strategies on their long-term growth trajectories. As a result, the existence of areas where labour costs were significantly lower enabled the delocalisation of production activities there, in order to remain not only competitive but also active in the new, globalised economic environment.

General business conditions seem to also affect the delocalisation process in Greek SMEs. It is obvious that the EU enlargement process and the accession of Bulgaria further supported established relations between the two sides. The opening of crossing points enabled the unproblematic and fast transportation of intermediate and final products between these countries, thus enhancing the delocalisation of Greek business. At the same time it created an enhanced business environment, as regards the taxation system, for example, and the incentives offered in order to attract FDI in neighbouring markets.

Added to that, delocalisation among Greek SMEs is further enhanced through geographical proximity (and cultural proximity) with countries located in the Balkan region. The short distances and familiarisation with the local cultures, language and tradition enable the monitoring of production abroad for Greek businessmen, while maintaining transportation costs under levels allowing companies to remain competitive. Thus, they are able ‘to move back and forth between the various posts, (a fact that) enhances better monitoring of the production, faster transportation of raw materials and finished goods and, ultimately, quicker response to the market, even in cases where crossing the borders is essential’ (Labrianidis and Vogiatzis, 2011, 37).

Last, but not least, the current economic crisis and the new austerity measures create an additional motive for Greek SMEs to delocalise their activities abroad, as the recent data presented reveal. These firms are faced with even higher barriers regarding access to finance, while their turnovers and profits are shrinking, due to diminishing demand. Thus, delocalisation appears to be a rational solution, at least for those owners who wish to remain active in the market.

Bankruptcies/closures, which constitute a negative form of restructuring among Greek SMEs, are primarily driven by conditions in the Greek economy, as the current financial crisis demonstrates. The data presented above regarding natality and mortality rates, on the one hand, indicate that SMEs are more likely to face constraints that will eventually lead them to bankruptcy/closure compared to LSEs, but, on the other hand, point out the easier and more frequent formation of SMEs. In Greece, SMEs are now facing additional barriers and they lack the resources to overcome this negative climate and reverse the current situation. Their access to financing is further restricted, while they are struggling to cover their major expenses, as the recent empirical data demonstrate. Given their small size, they are not able to diversify production or to expand in new markets and products and, as a result, they are one step away from closure. Thus, the rate of new to closed businesses is likely to turn negative in the near future.

However, the aforementioned driver is mainly associated with the current ‘historical coincidence’, which involves the economic downturn on a global and national scale. In general, SMEs’ closures in Greece are rather affected by the

owners/managers and their respective skills and competences, especially in micro-firms, which constitutes a solution for unemployment, particularly in less dynamic regions. In these cases, the owners hold a central role and, as a result, their characteristics can impact on the success or failure of the business. In other words, their ability to run the business and their commitment to this effort can, to a large extent, define the long-term growth and survival of an SME.

As far as mergers and acquisitions are concerned, the empirical data are rather scarce for Greek SMEs. However, it could be argued that the main driving factor for this type of restructuring seems to be the combination of capital assets and marketing networks between SMEs, which could increase market share and power (Katsos and Lekakis, 1991). Thus, M&A in the Greek SME sector could be viewed as part of the efforts to increase the merged firm size, meaning that some barriers related to size could be easier surmounted.

Restructuring which involves internal changes is possibly the most widespread type among Greek SMEs. The empirical evidence highlights the existence of several drivers, of which personal characteristics of the owner and atypical forms of employment seem to be of major importance. Regarding the first factor, it seems that running an SME in Greece is rather a 'one man show', since the owner holds a crucial role in all related activities. The owner's age, skills, international experience and entrepreneurial mentality in general seem to be significantly associated with planning, implementing and monitoring the restructuring events (if any) inside the firm. At the same time, the founder/owner is considered to be the defining actor in terms of implementing the firm's competitive strategy, which in turn relates to the decision, or the necessity, to adopt a restructuring effort or not:

'Yeah, I have to say that when the new owner-manager came into the business I was a bit afraid, since I knew that some employees were going to be fired. At the same time I had to get used to the new conditions and the changes that he wanted to implement, since I had been working here for 10 years already by that time. But as time passes by and you see a man working so hard, even during the weekends, you know that all you have to do is to work as hard as he does. You can see what he has in mind, and you simply follow. And I have to say that things are far better now, personally speaking. Of course, if you ask the employees who were fired, then you might get different answers...that's normal I think'

(Employee in the firm Bairaktaris S.A., Drama, 2012).

Added to that, atypical forms of employment, which are quite frequent among Greek SMEs, as the findings of the relevant studies indicate, constitute an enabling factor for internal restructuring as well. Numerical or functional flexibility is acquired through these interpersonal employment relations, which enable small firms to respond to fluctuations or particular requirements imposed by the demand side. This fact, which is closely interrelated with the small size of Greek SMEs and general aspects of Greek society allow these firms to maintain their position in the market, by reducing costs and avoiding expenses that, especially today in the middle of the worst economic crisis, they cannot afford:

'I am forced to employ seasonal workers, since it is not the sales of our company that constitutes the problem, rather than the expenses, given the financial crisis that severely affects our access to financing. These people have been working here for a long time, but I am forced to fire and re-hire them in accordance with the fluctuations of demand in order to avoid expenses in the payroll. I am not happy about that, but there was no other solution'

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

Regarding business expansion, the evidence indicates the main driver is related, once more, to the founder/owner of the firm, as well as to internationalisation/offshoring factors (for example, low cost, economic crisis and geographical proximity with the Balkan region). Moreover, some firm level characteristics, such as competitive strategy, seem to be associated with restructuring decisions involving, for example, the shift from labour-intensive to knowledge-intensive

activities. However, the entrepreneurial mentality of the owners/founders emerges as decisive in this type of restructuring as well, since, in certain cases, they are more capable of carrying a message of ‘do or die’ to their employees, given that internationalisation often appears to be the only solution for the survival of the firms, as mentioned during the interviews:

‘There were not any reactions when we took that decision. Everyone who is working here knows that if we had not internationalised our activities there would be no job for them today and they can understand it, since we had already been working with partners abroad’

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

At the same time, business expansion to neighbouring markets is also driven by the more favourable business environment there compared to the one prevailing in Greece:

‘Why shouldn’t we go to Turkey or Bulgaria? It is easy nowadays, the wages are lower, but the business environment is also much more favourable. The taxes are lower, you get support to do and run your business there...the extremely opposite situation from the one prevailing in Greece’

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

In two cases explored in this project, restructuring was considered the only solution that could ensure the firm’s long-run survival. Thus, the main challenge involved the sustainability of the firm per se. Specifically, in the case of Royal Tsatsoulis Bros, access to raw materials constituted a significant barrier for the firm’s smooth operation, as supply could not satisfy the demand, given the firm’s strong export orientation. Given, also, the sector in which the firm operates (agri-food sector, for example peppers, pickles, olives and vegetables), the supply from the Greek market was not satisfying the firm’s export needs. At the same time, the volume of supply in Turkey is one of the highest in Europe. Combined with efforts to reduce unit costs, the owners decided to establish a presence there, in order to ensure access to raw materials and the long-term growth of the company:

‘Our decision was not easy. However, we were forced to act immediately, since, for example, we need some seven to eight tonnes of peppers on an annual base, which we cannot find in the Greek market, while in Turkey the production reaches 130,000 tonnes every year (...) as you can understand, if we had not gone there, our company would have not probably existed today’

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

In Aktis S.A. the restructuring was imposed by both the business opportunities that emerged in Romania and the general economic climate in Greece. Specifically, the company was able to participate in several projects in Romania, while restricted access to the major intermediate materials forced the owners to produce them in-house.

‘If we knew what was going to happen, regarding the impacts of the country’s debt crisis, we would invest more money in our plant in Romania. Everyone who works here knows that this restructuring was necessary; otherwise I don’t know what would have happened today’

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

The main drivers for restructuring in the Greek SME sector, as emerged from the literature review and the fieldwork conducted, can be categorised under four interrelated subjects:

- Changes in the surrounding environment (for example, EU enlargement process, the collapse of Communist regimes in the central and eastern European countries, globalisation, reorganisation of global value chains and networks, liberalisation of markets and the global financial recession).
- The competitive strategy on the firm level (for example low-cost strategies vs. differentiation strategies).
- Characteristics of the founder/owner-firm (for example, age, linguistic skills, international experience, management methods, employees' skills and knowledge).
- Employment relations (typical vs. atypical forms).

Distinctive characteristics of restructuring in SMEs

The Greek SME sector presents some peculiarities that have been reported in previous sections. These particular characteristics are related to the procedures implemented at the firm level during a restructuring event and, thus, the distinctive characteristics of restructuring in Greek SMEs cannot be viewed independently of their small size or the central role of the founder/owner. At the same time, the general economic environment in which SMEs operate shapes their performance and sustainability. Indicatively, the ongoing economic crisis composes an extremely negative environment, in which SMEs struggle to remain active, while economic conditions at the national level are more likely to affect small-firm competitiveness compared to an LSE, given their limited alternatives.

More specifically, and regarding planning and preparation, smaller firms are less likely to plan their restructuring for various reasons, such as the atypical procedures often implemented (for example, absence of a detailed plan, atypical forms of employment) and the limitations imposed by their small size and restricted access to external assistance. This argument was also confirmed during the fieldwork conducted in Greece, since it is indicative that in two cases there was no predefined plan for the restructuring event, in terms of strict milestones to be met. Of course, this should not be treated solely as a sign of less prepared processes and procedures, but rather as the impact of environmental uncertainty in both the domestic and the foreign market for Greek SMEs.

In Bairaktaris S.A., for example, the restructuring involved the buy-out of another company in the same sector (marble industry), in which several changes were implemented with regards to employment and product differentiation. The new owners and managers (who succeeded their father in the management of two other family businesses) have been for a long time considering the opportunity to expand into new products (finished marble and artistic marble creations) and, as soon as this opportunity emerged, they quickly took advantage. They intended to conclude the buy-out in less than a year, but there was no precise plan, given that they were unaware of the exact time needed to finish with the legal procedures and financial controls, combined with the lack of any external consultancy assistance. Thus, as soon as they acquired ownership of the new firm, they started to implement the needed changes regarding the number of employees, the machinery renewal and the application of new production methods. However, as one owner stated, the restructuring efforts are not yet finished and they are not sure when this will happen:

'The buy-out was concluded in June 2010 and we have implemented all the changes that we intended during the same year. We did not exactly use a plan, because the opportunity emerged and we had to take advantage of it. However, we see now that more adjustments are necessary. I am not sure on when these are going to occur yet, because the conditions are changing rapidly. We are trying to do one step at a time, wait and see...'

(Owner and manager of the firm Bairaktaris S.A., Drama, 2012).

A similar characteristic was also evident in the two other case studies, as far as the implementation of an accurate restructuring plan is concerned:

'We could not stick to an accurate plan, given that things change fast and we have to adapt to the surrounding environment. That's why it took some time to be fully operational there'

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

'Our plan was to finish with the new plan by the end of June, but we did not manage to meet this deadline, owing to several reasons. That's why it is difficult to follow an exact plan in these cases. There are several factors that affect this process that you cannot always foresee, even though we had international experience'

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

In two of the cases examined, restructuring primarily involved business expansion in a foreign country and particularly in the Balkan region, which constitutes a rather typical phenomenon among Greek SMEs that internationalise their activities. It seems that decision-making in this case involves primarily the owner. The owner is responsible for efforts to investigate the potential in a neighbouring market, planning the whole process, as well as executing the procedure of the firm's shift abroad (as a whole or parts of the production) there. Hence, they are also responsible for implementing changes affecting employees (for example, hiring/firing personnel, information sharing, education and training), although the interpersonal relations that are usually developed, alongside the family-nature often observed in small-scale businesses, render these decisions easier. However, it is a very common phenomenon that assistance is provided by specific employees, such as technical and highly-skilled workers, or individuals who have been employed for a long time and/or family members employed.

Moreover, the utilisation of previous partnerships and the networks that have been built through the exporting activities are also frequent, at least in the form of 'local brokers', who act as intermediaries and can help a small firm in reducing the barriers related to its 'foreignness' during the effort to establish an international presence (see also De Magalhaes, 2001). These examples were clearly mentioned during the interviews conducted with owners and managers, while they have also been reported in other cases (c.f. Kalogeresis and Labrianidis, 2010).

In Royal Tsatsoulis Bros, the firm's restructuring involved business expansion in Turkey, via the establishment of a production plant and exporting to the local market, also through product differentiation. The owners have undertaken market research and were driven by lower labour costs and by access to raw materials. Even though they had previous international experience, since the firm is export-oriented, they could not plan this movement accurately and they preferred to follow a step-by-step strategy, given changing consumers' preferences, which impose a product differentiation strategy and a continuous change. A mean to overcome this uncertainty was again related with a local businessman:

'There is a local businessman with whom we had a previous cooperation in Turkey. This man participates in the capital of our company there and he is also the production manager in the plant there. His presence was necessary in order to overcome specific barriers or to reduce the needed time during our transactions with the Turkish authorities and the uncertainty regarding our presence in a foreign market'

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

In Aktis S.A., there was an established partnership with an entrepreneur located in Romania and the firm had international experience before the restructuring event. However, the restructuring plan was set following the decision to create a manufacturing plant in the specific market, given that, initially, the company had decided to settle in a neighbouring to Thessaloniki area and set-up production there (which was another form of restructuring, since the company decided to produce in-house the intermediate product that was previously bought by another company). As soon as the opportunity emerged in Romania, a plan was drawn up but, as the manager stated, the firm did not meet the specific deadlines.

At the same time, it seems that the participation of employees in restructuring processes in Greek SMEs is rather restricted. This could be partially attributed to the absence of work councils or other forms of employee representation in the cases examined, which seems to be the general trend among small businesses in the country. Thus, the only actors involved in addition to the founder(s)/owner(s)/manager(s) are most often employees who have worked in the firm for long periods and especially accountant managers or bookkeepers, who act as consultants and are likely to participate in meetings and business trips abroad. In the case of internationalisation, though, our findings confirm that, apart from SME owners, technical staff are likely to travel abroad in order to set-up and monitor production there. However, their participation usually takes place after the initiation of the restructuring process and not during planning and preparation.

It is surprising that little is known about the exact procedures and tactics that Greek SME owners implement during restructuring, especially with regards to employment. Of course, one should bear in mind the extremely small size of Greek SMEs and the elevated shares of self-employment, which can, to a certain extent, justify the absence of empirical evidence. The closure of an LSE, equivalent to a loss of thousands of jobs, is more striking compared to the Greek SME sector, where a closure means unemployment for one or two persons (see also Voss, 2009). However, given the magnitude of the phenomenon, which is further augmented during the current economic crisis, we believe that our effort to shed some light on the issue of a (possible) small-scale business restructuring and the impacts on employment, based on empirical data, is extremely useful.

Main challenges and constraints facing SMEs in restructuring

A restructuring event constitutes a milestone in an SME's history and it creates significant pressures and barriers that the owners have to overcome to ensure long-term growth, or survival, as the cases illustrate. Access to financing, the size of the firm in terms of employment, the entrepreneurial mentality of the owner and the general economic background comprise the main challenges and constraints facing SMEs during restructuring and it is useful to provide some related evidence from the case studies conducted.

As far as relocation is concerned, the data presented above highlight the concentration of business activity in the Athens metropolitan area. This phenomenon could be attributed to the centralised political and administrative decision-making processes, as an overview of Greek development policy over time reveals. Decentralisation efforts, in the form of providing incentives for firms to relocate activities towards the periphery, have been unable to provide satisfactory results, for several reasons, such as the absence of a detailed and focused analysis of the characteristics of Greek SMEs, the 'clientelism' of the Greek political system and the lack of a systematic effort to monitor and control the effects of related relocation incentives. There are several cases of abandoned manufacturing plants in industrial areas of higher incentives today, a fact that was also confirmed during the recent fieldwork conducted, illustrating, on the one hand, the absence of any form of control as far as the funding of these investment activities is concerned and, on the other, the clear mismatch between those forms of incentives and the developmental needs of the Greek economy (Kalogirou et al., 1989, Labrianidis and Papamichos, 1990). Lastly, as a significant number of Greek firms are connected to the public sector, either by selling directly to the Greek State or to other firms that constitute the State's main suppliers, the decision to locate close to the political and administrative centre of Athens was 'rational'. Hence, it could be argued that Greek SMEs have few incentives to relocate away from the administrative centre of the capital city (Athens), a factor that, combined with the advantages this specific location presents, form the main constraints regarding SMEs relocation.

Regarding internationalisation efforts, it is useful to note that, in contrast to LSEs, Greek SMEs have considerably lower experience in global markets and, as Smallbone and Wyr (1995) argue for SMEs, are confronted with greater difficulties in implementing these shifts. Such difficulties include uncertainty due to the lack of market power, inadequate financing and a restricted customer base. Added to that, several constraints emerge owing to the family nature of these small-scale businesses and the 'traditional' management methods that are usually evident (Makridakis et al., 1997). Thus, as Karagianni and Labrianidis (2001, 8) point out, the success of SME internationalisation is identified with the personal success (or failure) of the owner and the employees. On the other hand, the flexibility observed in SMEs is capable of providing a competitive advantage, as personal communication and monitoring of international activity, as well as atypical forms of employment and cooperation, can foster the internationalisation of SMEs, thus reducing the negative impact of their size in the efforts to restructure and go international (Buckley, Newbould, and Thurwell, 1988, 13, 201).

The export ability and performance of a small firm are affected by several attributes, out of which the managerial skills of the owner(s) emerge as critical factors, as 'a company's decision to extend its marketing activities to markets abroad is ultimately taken by the individual decision maker' (Holzmüller and Kasper, 1990, 218). Among these characteristics, educational level, overseas experience, foreign language skills, age and international commitment appear to be of crucial importance, as Nakos et al. (1998) argue. Moreover, firm characteristics are equally important, including size, age of the firm, previous experience and share of employees with an international experience (Kaynak and Kuan, 1993; Diamantopoulos and Inglis, 1988). Additionally, as Porter (1990) argues, firms operating in dynamic home environments are more likely to adopt a more aggressive internationalisation strategy, while foreign-owned firms are also possible to present similar behaviour (Jarillo and Martiánez, 1990).

The above-mentioned characteristics were empirically tested in a sample of 400 Greek SMEs by Nakos et al. (1998). The results confirm the *central role of the owner during and after the internationalisation process*, as their demographic characteristics present a significant and positive impact on an SME's propensity to establish a presence in a foreign

market. Additionally, firm characteristics are important as well, including the share of well-trained employees with international experiences, which is positively correlated with a successful internationalisation activity for Greek SMEs. Moreover, a positive association was found between competitiveness of the home environment and export performance of SMEs, which might indicate that the generally small and non-competitive nature of several markets in Greece can have a negative effect on local SMEs' internationalisation processes, as well as the linkage between uncertainty in the domestic market and international performance (Dimitratos, Lioukas, and Carter, 2004).

Other empirical evidence regarding the internationalisation of Greek SMEs also points out the most important barriers and the critical success factors in comparison to LSEs or SMEs from other countries (c.f. Katsikeas, 1994; Nakos, Brouthers, and Brouthers, 1998), but there is a general absence of information regarding the process per se and, especially its impacts on employees. However, a study by Labrianidis (2000) presents some insights, as regards the internationalisation of Greek SMEs in the Balkans, during the period 1990–2000. According to the data collected, while 31.3% of the Greek companies in central and eastern Europe countries are wholly owned by Greek companies, the remaining share refers to firms in which there is a participation of local businessmen (43.8%) or the state (21.9%). These data highlight the enormous difficulties that the Greek owners face during this form of restructuring, which impose the establishment of partnerships or joint ventures, to overcome the related barriers (language, bureaucracy, frequent changes of the legal framework, corruption etc.). Thus, these firms also manage to create a more positive image in the foreign market, by reducing their 'foreignness'.

On the other hand, one should bear in mind the negative impacts on employment in the home country, as the restructuring of a Greek firm that internationalises its activities is likely to negatively affect the number of employees in the home country, given that in most cases it was the labour-intensive production segments that were move abroad. What is important, however, as Labrianidis (2001, 78) argues, is not how much unemployment rises, but what would have happened if the investment had not been made, an argument which was also confirmed in our case studies.

Looking at the issue of business succession, Pyromalis et al. (2006) have proposed a conceptual framework which included five critical success factors during the process of succession in SMEs namely: a) the incumbent's propensity to step aside, b) the successor's willingness to take over, c) positive family relations and communication, d) succession planning, and e) the successor's appropriateness and preparation. This framework was assessed by collecting data from 202 Greek firms, many of which (47.5%) reported zero to nine employees (Pyromalis and Vozikis, 2009). Their findings confirmed that smaller firms are less capable of drawing an accurate restructuring plan, while the successor's willingness to take over is lower, thus presenting a strong constraint on the succession's effectiveness and level of satisfaction among the people involved.

The empirical evidence from this research project shows that in two of the cases examined the main challenge of restructuring concerned the means to ensure sustainability and long-term growth via business expansion and internationalisation. Bearing in mind that these firms had established an international presence, the main constraints reported referred to problems in communication (for example, linguistic barriers), the lack of information regarding the conditions prevailing in foreign markets and access to financing in order to raise capital for the needed investments. Regarding the first problem, owners were able to overcome it by trying to get familiarised with the cultural environment there (for example, learn the language, travel there often and discuss with local partners, suppliers and customers). Prior international experience seems to be a crucial means to overcome this type of problem, as clearly reported during the interviews:

'We had been working in Romania before the establishment of our manufacturing plant there. I had been travelling there very often, in order to monitor the production process and, as a result, I was familiarised with their language, their habits and their mentality. It was easier for us, since we could communicate in their language, at least during the work'

(Employee in the firm Aktis S.A., Thessaloniki, 2012).

As far as information regarding the business environment abroad is concerned, in both cases the Greek firms employed a local businessman, and, thus, they managed to overcome, to a certain extent, these issues. However, it was still difficult for them to adapt to the new conditions prevailing there, mostly because foreign markets constitute a new challenge and the situation is completely different compared to Greece. Thus, the level of uncertainty (regarding the Greek market and the foreign one as well) is something that proved to be a significant factor affecting their restructuring efforts in a significant manner.

As regards access to financing, managers in the firms stated that this constituted one of the most significant barriers. Indicatively, both of them mentioned that if they were able to raise higher funds, they would have made a bigger investment abroad, given the better prospects there, compared to Greece. These findings seem to confirm this as one of the most significant constraints SMEs face, not only during restructuring, but also during their everyday activities.

In Bairaktaris S.A., the owner mentioned some additional sector-specific barriers, as well as problems regarding employees' mentality. Regarding the first, part of the restructuring process involved the leasing of a quarry, which creates a certain level of uncertainty for the owner, as the estimation of the volume of raw materials that will be extracted cannot be accurate since it depends on several environmental factors. Moreover, the owner mentioned that he had to reduce the number of employees in the acquired company and reorganise the production process in order to reduce operational expenses, so that the company could better respond to the demand and remain competitive. Some problems emerged as far as employee reactions are concerned, specifically regarding the severance payment in one case, which resulted in a legal dispute. Moreover, the owner and manager reported difficulties in efforts to change employees' working mentality, since they were used to working in a different way and this was a factor that also contributed to the reduction of their total number. However, the absence of a work council or other employee representation had possibly diminished the potential for any other reactions:

'There were some employees here who were used to work in a different way compared to what we had in mind. Therefore, I was forced to fire them, as I was trying to reduce the labour costs which were exceptionally high (...) Hopefully there is not a work council active in our sector, because all it can do is to harm our business, as history has proved (...) It takes some time to show how you want to get things done, but I am sure that nowadays everyone working here has understood it'

(Owner of the firm Bairaktaris S.A., Drama, 2012).

The main challenges and constraints SMEs are facing during restructuring are in certain cases sector-specific. They can be related to the access to raw materials, the effort to achieve lower labour costs and remaining competitive. Moreover, several barriers are imposed by the economic environment (both in the home market and abroad) as levels of uncertainty and low access to information can harm the effectiveness of restructuring. The same stands true for access to financing, since our findings seem to confirm its pre-eminent role for the smooth operation of SMEs in Greece. Lastly, the implemented changes are likely to raise uncertainty among employees, which is expected and can constitute a main challenge for owners/managers. However, the absence of work councils or other forms of employee representation make things easier for business owners.

Business support from public and private sources

SMEs in Greece, especially micro-firms employing fewer than 10 people, constitute the majority of active business entities. As such, it is reasonable to expect that several policy support instruments are available, aiming at providing these firms with various types of assistance, which is crucial, particularly during the implementation of a restructuring process. Despite that, the critical issue here refers to their efficiency in responding to SMEs' needs and addressing their major weaknesses, as will be illustrated.

Firstly, the various Incentive Investment Laws, particularly after 1982, have provided Greek firms with a significantly enhancing instrument to finance their investments, either for new business start-ups or for production modernisation, relocation and machinery update. The most recent law foresees a special premium (up to 15%) for SMEs, while the share of own funds was reduced to 25% compared to 40%, which the previous law defined.

Another important policy aiming at stimulating entrepreneurship was implemented under the operational programme 'Competitiveness' (EPAN) of the Greek Ministry of Development, by utilising the available funds through the Community Support Framework 3 (CSF 3) during the period 2000–2006. This programme aimed at supporting entrepreneurship in various sectors (energy, industry-services, research and technology, tourism, commerce and human resources) and support was given to a total number of 2,040 Greek SMEs during 2003–2005, while the number of new jobs created in three phases of the programmes reached 10,500, under the three action lines. It is worth mentioning that the National SMEs Observatory was also created under the specific programme. A new phase of this programme (EPAN II) is currently implemented, funded by the CSF 4, which covers the period 2007–2013. The main objective of this programme is to support the acceleration of the transition to the knowledge-based economy, the development of healthy, sustainable and extrovert entrepreneurship and contribute to the goal of making Greece a more attractive place for developing business activities, with respect for the environment.

As far as SMEs are specifically concerned, perhaps the most important support instrument refers to the Hellenic Organisation of Small and Medium-Sized Enterprises and Handicraft S.A. (Eommex S.A.). It was recently (2011) decided, though, that it was to be merged with the Hellenic Fund for Entrepreneurship and Development, while its activities are to be transferred under the General Secretariat for Industry. Eommex S.A. has implemented numerous projects during the last 35 years, which aimed to provide Greek SMEs with an opportunity to increase their competitiveness and performance. This objective is nowadays supposed to be enhanced by the Minister of Development, Competitiveness and Shipping, under the National Plan for Supporting Small and Medium-sized Enterprises (2010–2013), which aims at fostering the creation of new jobs, enhancing the competitiveness of Greek SMEs and their export orientation.

Liargovas (1998) argues that in general the two basic policy measures towards Greek SMEs include: a) financial assistance, such as seed capital funds and subsidised loans, and b) what he terms 'micropolicies', including those targeting SME cooperation and SME information. The former measures, though, are ineffective in the case of Greece, due to the fact that Greek SMEs are too different from the ideal-typical SMEs that exist in the developed EU Member States and, as such, require modification. In a similar vein, Seferiadis (2003) argues that part of the failure of the Greek State to promote employment in SMEs should not be attributed to the limited coordination and monitoring at national level, rather than to the European Employment Strategy (EES) not taking into consideration the peculiarities of the Greek economy, including the combination of high unemployment with low wages and the large informal economy. Thus, he argues (2003, 199), 'the substantive policy core of the EES is in need of serious revision'.

A study by Voulgaris et al. (2005) indicates that policy measures in the case of Greek SMEs have failed to support the development of a network for business consulting, the enhancement of exporting activities and restructuring in the form of investments in new technologies. They have not paid the needed focus to micro and small firms located outside Athens

and Thessaloniki, in order to increase the rate of survival of newly established small firms and the growth of continuing ones. Hence, the issue of ‘centralisation’ of the Greek economy emerges again as a significant factor affecting SMEs’ performance. Moreover, Malkoutzis (2011, 5) reports that Greece was entitled to €4.2 billion in EU funding between 2007 and 2013 from the European Social Fund to support programmes to promote employment and social inclusion but so far it has claimed only 18.5% of this. The main reason for this is that the public sector is too inefficient to absorb this funding. Hence, restructuring among Greek SMEs is further restricted owing to lack of effective financing.

The above-mentioned policy support instruments (a list which is by no means exhaustive) indicate that the Greek State has, on the one hand, recognised the significance of SMEs for the national economy, but, on the other hand, has failed to respond effectively to their needs for various reasons, such as the lack of monitoring by legal authorities and the ineffectiveness of particular strategies at the European level. It is also important to examine the demand side, namely the opinions recorded during the fieldwork from the firms’ owner, managers and employees, as far as the needed support is concerned. Hence, it is interesting to note that none of the firms involved has received any particular type of assistance regarding its restructuring efforts:

‘We have not received any form of assistance, either in a public or a private form. Everything was done in-house; we were based on our own strengths, our skills and our funds. There is not any available assistance by the Greek State, on the contrary the environment here is hostile I would say, especially compared to the case in Turkey’

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

‘The only assistance I received was not directly related to our restructuring effort. The previous owners of the company had received funds from the banking sector, a loan which I was forced to re-arrange; and it was rather difficult, given the general economic climate nowadays. Another assistance I received was involved with subsidies for employing previously unemployed workers; that is 12% refund of the total labour charges. But, to let you understand how things work in Greece, I recently received a payment for the first semester of 2008, meaning that there was a delay of four years... at least I got the money. Apart from that, no, I don’t think I could get any other form of business support for this restructuring’

(Owner and manager of Bairaktaris S.A., Drama, 2012).

Apart from that, it is useful to note that the efficiency of the several support programmes for Greek SMEs has been widely affected by the current economic crisis. These firms are severely hit by the rise in taxes, the declining disposable income and the vanishing consumer demand. Added to that, a lack of financial liquidity caused by both the banking sector and the Greek State in terms of financing through the various support programmes is evident. This argument was confirmed during the fieldwork conducted, since our interlocutors recognised that the current economic crisis has severely affected the promotion of support instruments and, at the same time, are not optimistic about the future, as the empirical evidence presented above also illustrate.

‘We simply wait; we cannot do anything else. I am not expecting any financial or other form of assistance and support from the Greek State, unless a viable solution for the debt crisis is reached. It was the first time after several months that some good news was announced in the media, regarding the recent agreement between the country, the IFM and the EU. If a solution is found, things will become better, regarding financing schemes for us; otherwise, it will be extremely difficult for us to survive, even though our turnover is still high’

(Manager of the firm Aktis S.A., Thessaloniki, 2012).

Hence, the demand for public support, as expressed by our interviewees, is mainly related to their general operational expenses and not particularly with regards to their restructuring efforts and should be assessed within the frames of the ongoing situation in the country. An illustrative example refers to the firms’ liabilities towards the Greek State (for

example employment insurance, taxes) in conjunction with the sums that the state owes to them (for example VAT refunds from exports and other subsidies). What the interviewees ask for is an arrangement for a set-off between the two sides and the related sums, in order to improve their cash-flows while struggling to remain active and competitive. Moreover, a demand expressed during all three case study interviews relates to a settlement regarding the banking sector, in order to ensure that loans and other financial instruments will be available again in the market, thus confirming once more the significance of access to financing for SMEs.

'I am also the president of the local Chamber of Commerce and Industry. Thus, I have personally sent numerous requests to the Greek Government, proposing a set-off regarding the money we (the firms) owe to them and the money they owe to us. It is such a simple solution, but if you see the answers I received, you will laugh over them. On the contrary, these things are done every month in other countries, such as in Turkey...I can't understand why they are not possible in our country'

(Owner and manager of the firm Royal Tsatsoulis Bros, Xanthi, 2012).

Outcome of restructuring events

As it has been repeatedly mentioned throughout this study, the literature and the empirical data regarding Greek SMEs' restructuring are rather limited. As a result, the outcomes of these events have not been reported in a way that could allow us to systematically contextualise this phenomenon in the case of Greece. Despite that, an effort was made to synthesise the findings of previous studies and the respective findings that emerged during the fieldwork.

Starting with delocalisation and internationalisation, Labrianidis and Kalantaridis (2004) argue that the opening of Greek firms to the Balkans appeared as a '*deus ex machina*' that allowed numerous SMEs to survive in the short-run and internationalise their activities. On the other hand, though, it postponed firms' adoption of new technologies and focus on products and services of higher added value, resulting in an accumulated loss of competitiveness over time. Thus, a distinction emerges between Greek SMEs that restructured their activities and viewed these processes as a means to enhance their position in global markets and those firms that followed a 'myopic' and rather opportunistic strategy in the short-run, aiming at simply reducing costs to maximise profits. Hence, restructuring of this specific type cannot be identified with success in all cases of Greek SMEs, even though it appeared to be so at the early stages.

Some other empirical evidence regarding the internationalisation of Greek SMEs is available from the CBCED project (<http://www.crossbordercoop.net/>). The basic findings, as far as cross-border cooperation between Greek and Bulgarian firms is concerned, confirm that lower labour costs and expansion in a new market constituted the most significant benefits of their restructuring efforts. On the other hand, the pressures created for owners and employees during the process of delocalisation or business expansion in the neighbouring market were also evident. A clear need to monitor the production process on the other side of the border emerged, which imposed commuting even on a daily basis (Vogiatzis et al., 2008, 28–9).

Indeed, these shifts have created extended pressures for owners and employees in the sector, since Greek subcontractors became locked into an initially rewarding arrangement that fostered entry into foreign markets (Kalogeris and Labrianidis, 2010, 51), but also required a new working mentality and skills and imposed differentiated employment conditions. Local entrepreneurs, and technical personnel, were forced to commute daily either inside the country or to southern parts of Bulgaria in order to monitor production assigned there. This is in accordance with Hymer's (1976) argument regarding the need of small firms that go international (and their owners) to adapt to the new conditions to create competitive advantages, which involved familiarisation with a different working mentality (for example, the conditions prevailing inside subcontracting firms), as well as new tasks and skills, which altered working hours per day or employee workload but ensured the survival of the firms.

Added to that, the impacts on employment in Greece are often negative, at least in the short-run, both in terms of absolute numbers and workload, a fact that constitutes a major drawback as far as employees' reactions are concerned, even though representation by work councils and unions is rare in Greek SMEs. However, the relatively small size of the firms involved is capable of raising the awareness of employees, who often realise that offshoring/delocalisation constitute the only means for survival.

As far as business succession is concerned, the empirical investigation of the phenomenon in the case of Greek firms (Pyromalis and Vozikis, 2009) indicates that the transition from first to second generation is crucial and if concluded successfully, then the firm is more likely to enjoy long-term growth. On the contrary, owners of Greek firms are less willing to step aside in the case of first generation transition, compared to a transition between second and third generation. Lastly, even though small firms do not usually have a detailed succession plan, in cases in which effective communication links between owners and employees, as well as between family members, are established, the success of succession is greater. These findings highlight again both the 'atypical' nature of restructuring among Greek SMEs, as well as the central role of the owners.

An empirical investigation involving changes at the firm level in the case of Greece was carried out by Spanos et al. (2001), who used a sample of 500 Greek firms of different sizes. The results indicate that, broadly speaking, sample firms have implemented significant changes in three different dimensions (competitive strategy, structure and processes). However, significant differences emerge between large and small firms. Concretely, Greek SMEs appear to be less capable and/or less willing to initiate change, mostly owing to their small size. Moreover, another possible explanation offered by the authors (Spanos et al., 2001) is, once more, related to the founder/owner of a small firm. Despite the fact that Greek SMEs tend to abandon the ‘paternalistic’ management style that was more frequent during the past, they still assign a lower value to their employees’ skills and capabilities, as the owner remains the ‘leader’ and the ‘boss’.

An empirical assessment of restructuring outcomes is crucial for Greek SMEs, particularly during the financial crisis that has affected the economy and society, imposing severe transformations. Given the size of the case study firms involved, the findings presented below are oriented not only to financial results and performance-based indicators, such as the ones often employed for LSEs, but to organisational aspects and the impacts on employment, in an effort to assess the ‘every-day’ changes implemented during and after restructuring in the case of SMEs.

As far as the firms’ structures are concerned it is interesting to note that even where international presence was formally established in a foreign market and the subsequent hiring of local managers and employees is observed, the hierarchical levels in the home country remained the same, in the sense that the owner(s)/managers(s) of the firm continued to undertake almost all of the administrative tasks. Thus, it could be argued that the centralised form of governance in Greek SMEs is not widely affected by restructuring events and, even though it is possible that middle-management positions will be added, the decentralised operational authority will still remain lower compared to larger enterprises, as Spanos et al. (2001) have also shown. Hence, even though a change in the organisational structure is recorded, for example, a new site in another country, it appears that Greek SMEs maintain a similar decision making hierarchy.

On the other hand, a restructuring event constitutes a significant process which enhances learning among both owners and employees in SMEs. The need to investigate the market potentials, the examination of alternative solutions, the planning and management of the restructuring process and the experience acquired through such an activity enhance the managerial skills for owners/managers, but for employees as well, since they also need to adapt to the new working conditions and improve their skills, as one employee reported:

‘Things are much better now for me, even though the changes implemented here were radical, in terms of job specifications, specialisation, workload and the general knowledge that I have acquired. My job is more interesting now, since, for example, I have to talk over the phone every day with partners and customers from all over the world. Moreover, I feel that I am a better employee now, I am more experienced and I enjoy it, even though I was a bit anxious at first, as I have already told you’

(Employee in the firm Bairaktaris S.A., Drama, 2012).

‘I would say that the international orientation of the firm I am working in has helped me to improve, especially after the restructuring event took place. You get familiarised with different mentalities and cultures, you travel abroad, you learn new things etc. I think it is interesting to work in such a firm, unless you don’t like to travel, or you got a family back home’

(Employee in the firm Aktis S.A., Thessaloniki, 2012).

Interestingly, participants in our study expressed some extremely positive views regarding the outcomes of restructuring events on the firm’s performance, which can be explained by the fact that restructuring there dealt with proactive activities to ensure the sustainability of the firms involved. These views, though, should also be evaluated in conjunction with the general economic background in Greece that is widely affected by the financial recession. This is particularly

evident in the two firms that internationalised their activities, since a direct comparison between the domestic and the foreign market is possible, always in favour of the latter. Thus, the performance of these firms is assessed in terms of a 'what if' scenario, meaning what would have happened if they had not expanded their activities abroad? The downturn of the Greek economy would have posed more negative results on these firms' performance, a fact that can explain their owners' positive evaluation of the restructuring event. In the third company, the outcome of restructuring is also considered to be positive so far, regarding the reduction of costs, the increase of labour productivity and the stimulation of export activity and, despite the deteriorating economic environment, the owner seems to be optimistic about the future. Thus, it could be argued that our findings are somewhat biased, in the sense that all three firms are export-oriented and, as such, are able to make a direct comparison between the Greek market and the international ones, when evaluating restructuring outcomes.

Restructuring among Greek SMEs is certainly affecting employment, often in negative ways. Setting aside the types of restructuring, such as bankruptcies/closures, in which the effects are obvious, the actual impacts of these procedures on the reduction in employees might be higher than official statistics reveal, due to the atypical forms of employment observed among Greek firms. In two of the three firms examined, a reduction on the employee numbers was reported. In the first (Bairaktaris S.A.), five out of 33 employees were let go (two were made redundant and three laid off) during the restructuring effort, given their low productivity rates and the efforts of the owners to reduce labour costs. In the second case (Aktis S.A.), seven workers (in the Greek part of the company) who were previously employed with long-term contracts are now employed on a seasonal basis, in accordance with the fluctuations of demand, due to the economic crisis. In Royal Tsatsoulis Bros there was a significant increase in employees, due to the establishment of a new manufacturing plant abroad. The total number of personnel employed in Greece remained steady. However, the empirical evidence presented indicates that delocalisation, which occurs quite often in the Greek SME sector, may present some negative impacts, at least in the short-run, in the home country, with regards to unemployment rates. Given the economic downturn, it is thus reasonable to expect that total unemployment will further rise in the months to come in Greece, due to the restructuring in the SME sector.

Moreover, the transformations SMEs face during a restructuring process may affect employment in terms of increased workload, anxiety and changes in work allocation, such as dealing with export activities or learning about new technologies in both managerial and production terms. The case of Royal Tsatsoulis Bros is illustrative, in that, following the restructuring event there, the total working hours per day, the need to travel back and forth and the anxiety among employees were significantly raised. However, given the firm's efforts to retain low labour costs, not a single hiring occurred in the Greek departments of the business. As a result, some employees (especially in middle-managerial levels) were forced to work more hours and were assigned with new tasks:

'The expansion of the firm in Turkey did not affect employment in Greece, in terms of number of employees. However, it surely affected the workload here, as the firm's turnover was quadrupled following this restructuring event, while the same number of employees was responsible to 'manage' it. It was very difficult and very challenging as well, to see whether we could manage to respond under such a pressure. However, there is a limit, and we know that we cannot always handle this amount of information; we cannot be efficient if we exceed this limit and that is a problem. Until now we have managed to handle the situation, because there were no other alternatives. We all knew that, and this message was automatically transmitted from upper management to technical workers here'

(Employee in the firm Royal Tsatsoulis Bros, Xanthi, 2012).

Conclusions and policy issues

Restructuring constitutes a significant milestone in a small firm's history and, as such, it presents certain variations and characteristics according to different factors, such as size of firm, owner, sector, the general economic environment and the point in time at which the restructuring event occurs. The results indicate that SMEs constitute a very interesting field of inquiry regarding the motives, procedures, management and impacts of restructuring, while, in certain cases, differences are observed compared to the situation prevailing in LSEs. This is especially valid in Greece for various reasons, including the small average size of the Greek SMEs and the relatively small size of the domestic market, geographic proximity to the Balkan region, the low-cost strategies that the majority of SMEs in Greece seem to have adopted, atypical forms of employment, the dominance of a rather centralised governance structure in which owner(s)/manager(s) appear to hold a pre-eminent role but, perhaps above all, the economic and social crisis which appeared in the aftermath of the global financial recession after 2009. The findings presented in this report are part of the effort to synthesise the analysis of the secondary data available and the primary data collected through the case studies of three Greek SMEs. Thus, their assessment can enhance a comparative analysis with studies conducted in other EU countries.

Restructuring among Greek SMEs is driven and characterised by four interrelated factors, namely: a) the changes in the surrounding environment (for example, the EU enlargement process and the sovereign debt crisis), b) the competitive strategy at the firm level (that is low-cost strategies vs. differentiation strategies), c) the characteristics of the owner/manager and the firm (age, skills, managerial mentality, international and exporting activity etc), as well as d) the employment relations developed within the firm (typical vs. atypical forms). These factors can explain, at least to a certain extent, both the motivations and the outcomes of restructuring events in Greek SMEs.

As far as changes in the surrounding business environment are concerned, the current economic crisis is indicative, since it seems that it can trigger particular forms of restructuring such as closure/bankruptcies and delocalisation. In most cases, the owners either decide to shut down their operations, since they are not able to respond to the limited access to finance to cover their operational fixed expenses, or to delocalise their activities. This argument was confirmed in the case of internationalisation as well during the fieldwork conducted as the managers and the employees who were interviewed clearly mentioned that their firms would not have been active today if they had not internationalised their activities abroad.

Added to that, another crucial change in the surrounding environment refers to the EU enlargement process, which in Greece encouraged numerous entrepreneurs to delocalise, or establish cross-border cooperation, for example with Bulgarian firms following the country's accession to the EU in 2007. It should be noted, though, that this did not constitute the initially motivating factor, since geographic proximity and cultural intimacy had already driven these shifts to the north for several Greek firms and entrepreneurs. However, the EU further enhanced these procedures.

Regarding competitive strategy at firm-level, low-cost strategies are mainly associated with particular forms of restructuring, such as closures and delocalisation, while differentiation strategies are more often recorded alongside internal restructuring, such as vertical integration and business expansion or mergers/acquisitions. Specifically, Greek companies who oriented to adopt low-cost strategies seem to have lost their competitive advantage, as competition has been significantly intensified and globalised. Hence, these firms either struggle to remain competitive by cutting back operational costs, a strategy that cannot be fully effective during times of economic recession and can thus lead to closures, or to delocalise their activities in order to maintain this advantage, driven by lower per unit costs in neighbouring markets (mainly in Bulgaria, Albania, the Macedonia and Turkey). On the other hand, firms using differentiation strategies are usually capable of implementing internal changes in order to enter different market segments, which can enhance vertical integration or mergers/acquisitions. At the same time, these firms are more often oriented to higher quality and, as such, they are more likely to implement other forms of internal restructuring, such as hiring specialised personnel or diversification of products through investments in R&D, as our case studies illustrate.

As far as owners/managers and company characteristics are concerned, it is evident that these factors hold a crucial role as well. First of all, the owners/managers of Greek SMEs constitute the ‘central point’ during a restructuring process. They are the ones who almost solely plan, manage and implement a restructuring event and, hence, the whole process appears to be a ‘one man show’. However, this show can be successful or unsuccessful, depending on several factors, including educational level, experience, management methods and entrepreneurial mentality, which appears to be extremely significant with regards to restructuring strategies and outcomes. Hence, an open-minded entrepreneur, who carries skills and expertise, is more likely to employ different means, such as employee opinions and assistance, to overcome the barriers. Thus, he is also more likely to plan and monitor the whole event, compared to situations in which the owners/managers represent a rather ‘centralised’ administrative and management structure, where all decisions are taken exclusively by them.

However, in both of the above mentioned cases a rather informal or unprofessional attitude towards restructuring is evident, as Greek SMEs rarely receive any external assistance in order to plan and execute a restructuring plan. This could be attributed to two reasons: firstly, public support is unable to respond to firms’ needs and strategic objectives, given the general deficiencies that the Greek political and administrative system presents (for example, delays, bureaucracy and lack of entrepreneurial culture). Secondly, as far as private assistance is concerned, in all three cases examined, the only reported actions involve the banking sector in the sense of financing and nothing more. As a result, Greek SMEs do not seem to be able to plan and execute the restructuring event effectively, given that they lack the experience, the funds and the know-how to perform such an operation. Hence, they seem to adopt a ‘learning by doing’ mentality, resulting in several adjustments during the process of restructuring, which can, in certain cases at least, harm the results of these efforts.

Regarding the characteristics of the firms involved, it seems that Greek SMEs that had international activity prior to the restructuring event (in the case of internationalisation) hold a crucial advantage. Their small size does not seem to affect the existence of these procedures, but rather the means and instruments employed during the restructuring events, as well as the latter’s whole nature. Hence, small firms seem to be in a position to ‘grab any emerging opportunity’ and, as such, predefined plans and formal procedures during the implementation are rarely recorded, in contrast with LSEs. These opportunities for SMEs arise owing to the companies’ international presence, mainly through networks of collaborators and the extended experience from international markets.

The fourth factor (typical vs. atypical employment relations at the firm level) seems to hold a crucial role as well, given that a significant part of Greek SMEs relied on informal employment relations, which can be also explained, to a certain extent, by the absence of a collective employee representation or unions. Thus, owner/managers of these companies are capable of implementing changes in informal ways, in which their employees cannot be opposed, being often the ‘victims of changes’ (for example, seasonal contracts, overtime). However, setting aside the negative aspects of restructuring on employment, it seems that these atypical relations enable the successful implementation of a restructuring event for the companies involved, as it allows them to take advantage of their flexibility and employ less strict procedures that can ensure positive implementation of restructuring.

Lastly, two key points emerge as far as policy recommendations are concerned: first, access to external assistance needs to be facilitated for Greek SMEs, especially specialised consultancy services, in order to help firms to overcome the barriers related to lack of experience, centralised management structures and the general disability to plan a restructuring event. Second, our findings confirm that external private assistance refers almost exclusively to the banking sector, involving financial assistance. However, this sector appears to be extremely reluctant to continue providing finance, especially to smaller firms, owing to the current financial recession and the sovereign debt crisis. Hence, representatives of Greek SMEs express their fears that they will not be able to continue operating, as they cannot cover their major expenses, given decreasing sales. This phenomenon appears to form a vicious cycle of recession, in which low investment results in low sales, which in turn harm the firms’ ability to gain access to finance from the banking sector

and so on. It is crucial that a solution be found soon, given that Greek SMEs, especially micro-firms, represent more than 70% of total employment and these firms are particularly harmed by the crisis.

Obviously, this solution is directly linked to the country's ability to control its painful public deficit and structural weaknesses, and to implement a plan reorienting and boosting economic competitiveness. Even though the owners of Greek SMEs appear to be extremely pessimistic regarding their prospects, some positive signs were recently published – Greece was excluded from the top-10 list of countries with the riskiest sovereign credits for the first time in two years (CMA, 2012), following the restructuring of its debt. However, there is still a long way to go.

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