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Conducting Business in Greece: A Brief For International Managers

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ABSTRACT

Greece has emerged in recent years as an attractive business destination for international companies. European Union membership and the adoption of the euro have greatly changed the Greek economy. This article outlines recent changes in the Greek political and economic environment and the opportunities and challenges that international managers face in Greece. Energy, technology, tourism, and food and beverage industries are the hot sectors of the economy where foreign investors are expected to concentrate their interest in the future.

INTRODUCTION

In the last twenty-five years, Greece has transformed itself from a relatively unstable poor peripheral European nation to an economically developed and stable European country. Politically, Greece is not the unstable country of the past, but a stable member of the European Union. Although Greece is faced with many challenges in the future, due to internal changes and developments in the international environment, it is probably enjoying the highest level of prosperity and stability in its modern history. This article will briefly outline recent changes in the Greek political and economic environment and then proceed to outline the opportunities and challenges that international managers face in Greece.

Modern Greece has inherited a long and illustrious history. People speaking variations of the Greek language have lived in the geographic area of present day Greece for more than 4,000 years. Several civilizations have flourished in Greece over the years, and each one has left its mark on modern Greek character and the way Greeks perceive the internal and external environments of the country. The classical Greek civilization of the 5th and 4th centuries BC made great inroads in poetry, theater, political thinking, and architecture; its memory still exerts a very strong influence on modern Greece. Moreover, the arrival of Christianity in Greece and the establishment of the Byzantine Empire in the 4th century AD, created the other major heritage from where the modern Greek culture originates (Toynebee, 1981). Therefore, modern Greeks perceive these two major heritages, the ancient classical Greek and the Christian Byzantine, as the two major progenitors of contemporary Greek culture. At times the essence of these two civilizations can be contradictory; however, Greeks today cherish both without seeing the contradictions. Foreign businessmen conducting business in Greece tend to be more familiar with the classical Greek civilization and history. However, in order to understand the modern Greek culture, it is important to comprehend the vast inheritance that Greeks received from Byzantium.

Modern Greece emerged as an independent state in the early 1830s, following a long catastrophic war of independence against the Ottoman Turks that had occupied the county for more than 400 years. The country that emerged as an independent nation had a poor agriculture-based economy. Industry was non-existent and a small trading middle class was concentrated in the coastal areas and few islands. By the end of the 19th century, Greece had taken some small steps in creating a modern state apparatus and building a basic infrastructure that allowed it to start developing basic industries (Koliopoulos and Veremis, 2002).

The first two decades of the 20th century were very turbulent in Greece. However, the Balkan wars of 1912-1913 and World War I allowed the country to expand to its present borders (with the exception of the Dodecanese islands that became part of Greece in 1947). Despite the unstable political environment of the 1920s and 1930s characterized by short-lived governments and deep political divisions between monarchists and liberals, the economy showed strong signs of growth. World War II was catastrophic for Greece because it lasted longer than in other European countries due to the civil war that followed the end of the Axis occupation. It was only in 1949, following the end of the Greek Civil War, that the country's economy started recovering. In the next two decades, Greece enjoyed a rapid economic growth. Many industrial sectors were developed and a strong tourism industry started flourishing.

The collapse of the 1967-1974 dictatorship brought stability to the country, and Greece was able to solve the two major political issues that had produced instability and political turmoil in the past: whether the country was going to be a kingdom or a republic and the right-left divide. Following a peaceful referendum, a republic was declared in 1974, answering the question of monarchy. The same year also saw the legalization of the Greek Communist party. This action healed the last remaining wounds of the Greek Civil War. Since that time, the political system in Greece has become more stable with two political parties, one of the center-right and one of the center-left, alternating in power. The accession of Greece to the European Community (now European Union) in 1981 further stabilized the country by making it part of a wealthy and democratic group of nations (Glogg, 1986). Finally, the participation of Greece in the common European Currency in 2001 fundamentally changed the Greek economy by bringing monetary stability.

Like in many other countries, recent international developments have brought opportunities accompanied by major challenges. For example, economic globalization forces have made certain "traditional" sectors of the Greek economy (for example, textiles) obsolete, and the collapse of communist regimes in Eastern Europe has brought Greece a lot closer to its northern neighbors. In a very short time period, Greece has turned from a labor-exporting nation to an emigrant-importing country. Greece has responded well to this new environment with Greek companies becoming multinational by rapidly expanding to nearby Balkan countries and beyond. Moreover, while certain problems have arisen, the country seems to have adjusted to the presence of a large number of foreign-born workers.

POLITICAL ENVIRONMENT

The political landscape in Greece during the last 35 years has been dominated by two major political parties, the center-right New Democracy party and the left of center Panhellenic Socialist Movement party. Two small left-wing parties with communist origins also exist, but their power is concentrated mainly in trade union politics. Since 2004, the center-right New Democracy party has been in power and has attempted to reform certain problematic areas such as pensions and the educational system. Whether these reforms will be successful in overcoming the resistance of the political opposition and the labor unions remains to be seen. Prior to 2004 and for almost 20 years (with an exception of coalition and right-wing governments in the 1989 to 1993 period), the Socialist party dominated the political landscape. Created by the late charismatic politician Andreas Papandreou as a reformist socialist movement, it evolved to a more mainstream party, closer to Western European social-democratic tradition (Datamonitor, 2006).

Although the positions that the two major parties take on most issues are similar, a culture of political antagonism does not allow for bipartisan support of much-needed reforms. It is very common for both political parties to oppose reforms only because the other party proposed them. It appears that the party that happens to be in the opposition tends to disagree with any type of reform. Characteristically, the Socialist party, now in opposition, vehemently opposes proposals for much needed pension reforms. The same political party had proposed similar reforms in 2000-2003, when it was in power. This inability of the Greek political system to search for widely accepted solutions to the problems that the country is confronting may be the biggest challenge that Greece is facing.

SOCIOCULTURAL ENVIRONMENT

Greece has a small population of approximately 11.2 million people (National Statistical Service of Greece, 2008). The vast majority of the population is ethnic Greek and approximately 98 percent of the population belongs to the Greek Orthodox Church. Of course, these numbers represent only the citizen population because the recent influx of an immigrant population, estimated to be 10 percent of the total population, will make the country more diverse in the future. Similar to other advanced European nations, the country is facing an ageing and declining population. The estimated 2007 fertility rate of 1.35 children per woman (CIA 2007 Factbook) is one of the lowest in the world. The fertility rate is comparable to other Southern European countries with which Greece shares many social and economic characteristics. Whether the low birth rate can be reversed in the future remains to be seen. It does not appear that the Greek state has responded effectively to societal changes by providing assistance to working parents. Some observers (The Economist, July 26, 2007) have commented that countries like Greece, Italy, and Spain may be experiencing the trap of a "traditional modern society." While these societies have become modern in the sense that large numbers of females have entered the workforce, they remain traditional because women are also expected to hold the roles of mothers and housewives. As a result, due to lack of support from their male partners and the inefficiency of the state infrastructure, the fertility rate has declined precipitously.

The low fertility rate is creating one of the biggest challenges that Greece will face in the future, a rapidly ageing population. According to recent estimates, the population of the country will start declining by the year 2020. In the year 2050, the proportion of inhabitants over the age of 64 will rise to 34 percent and the ratio of retired to working people will become one to one (Datamonitor, 2006). Of course, these developments will totally destroy the present pay-as-you-go pension system.

Although its educational system tends to be sclerotic, inflexible and resistant to change, Greece has made great improvements in the general educational level of its population in recent years. Approximately 95 percent of the population is literate, with illiterate people concentrated in the older age groups. While in the past Greece was lagging behind other European countries in the number of students enrolled in university level education (Saitis, 1988), the country has experienced a transformation in recent years with a great expansion of its University system. University enrolment has increased considerably and the educational attainment of younger Greeks is similar to other European countries (Karakatsanis and Swarts, 2007). Moreover, large numbers of Greeks tend to go abroad to complete their education and the country possesses a cosmopolitan pool of educated workers well versed in foreign languages.

In the past, Greece used to be a heavily agricultural country with the majority of the population employed in small farms. A rapid post-war urbanization has totally changed the employment structure of the country. While agriculture still remains important with a larger percentage of the population employed in farms in comparison to other European Union members, industry and services provide the bulk of employment.

Unemployment has been a persistent problem for the Greek economy although recent economic growth has considerably reduced its rate to 7.9 percent (Greek National Statistics, 2008). The causes of high unemployment in Greece are mainly due to social and educational factors, rather than economic. It is a typical example of structural unemployment with the economy creating a large number of jobs, which either the job applicants do not want because they require few skills or they require specialized skills that even university educated applicants do not possess. Even today, many college students pursue degrees in fields such as literature, sociology, theology, or political science that do not have clear career prospects in the job market. Moreover, the unwillingness of job applicants to relocate in parts of the country where job opportunities are more abundant, coupled with the rigidities of the labor market, especially the very “tight” layoff regulations, may be the real causes of the high unemployment rate.

ECONOMY AND REGULATIONS

Infrastructure

A weak transportation infrastructure was one of the major obstacles for foreign companies trying to do business in Greece in the past. Greece is a predominately mountainous country and transportation among the various regions of the country was very difficult and time consuming. This lack of basic infrastructure coupled with the inefficiencies of the Greek state led to a concentration of economic activity in the greater Athens area. Until recently, more than 60 percent of the Greek Gross Domestic Product and 40 percent of the population was concentrated in the Athens area. This situation led to the much slower development of many other regions of the country.

An influx of European Union structural funds designed to improve the infrastructure of less-developed member state regions and the adoption by the Greek governments of a private-public partnership of public works, has greatly improved the transportation infrastructure in the country. The new international airport and the privately built ring road around Athens are just two examples of the successful partnership between the Greek state and private companies. This financing model has been expanded to other parts of the country with the construction of major highways in Northern, Southern, and Western Greece. The completion of these major infrastructure projects should help the economic development of less developed regions of the country. At the same time, the state-private model for financing these projects provides a big opportunity for international construction companies to win large contracts. Moreover, another major opportunity for international companies is the proposed privatization of major ports. This proposal should allow the modernization of Greek ports, and it will make Greece a major center for trade in the Balkan region.

Recent years have also brought a major improvement in the telecommunications infrastructure in Greece. The old inefficient monopoly of the State Telecommunications

Company has been broken and a healthy competition has resulted in service improvements and a decline in prices. In addition, the mobile telephone revolution has transformed the country, making Greece a nation with one of the highest mobile phone ownership in the world. Although internet penetration is fairly low in comparison to other European countries, the number of wired households is increasing. The recent 20 percent purchase by Deutsche Telekom of OTE, the former state telecommunications monopoly, with the understanding that the government is willing to sell part of the 28 percent share that it still owns and share managerial control, will further modernize the telecommunications market (Financial Times, March 18, 2008).

Legal System

The Greek legal system is based on civil law. The judiciary branch is independent from the legislative and executive branches of government. Special administrative courts are responsible for taxation and labor dispute issues. Greece, a European Union member since 1981, has harmonized to a great extent its legal system with EU legislation (Price Waterhouse Coopers, 2007). Legal disputes tend to take a long time to resolve, and like in neighboring Italy, the plethora of laws and the non-clarity of the existing laws may create problems for an investing company. For example, issues with zoning regulations can create obstacles for a company that may invest in an area and then discover that the rules have changed, and the company cannot use the land for its initial purpose. Companies that have tried to develop major tourism projects have encountered a web of confusing regulations with uncertain designations of areas as of “archaeological” or “environmental” interest. On the positive side, Greece’s membership to the European Union has created a more secure legal system, providing foreign investors with the ability to take their disputes to European higher courts. In addition, European Union laws apply to Greece and provide investors with further assurances.

An area that Greece has an especially negative performance is the prevalence of corruption. According to Transparency International (2006), Greece has one of the highest levels of corruption in Europe. Corruption tends to be prevalent in many aspects of public life. Although the government has recognized the problem, it remains to be seen whether it will be able to tackle the problem that has become entrenched in the society. On the other hand, crime is not a major problem in Greece. Organized crime is not very powerful and foreign companies do not have to worry about the safety of their employees and their installations.

The Economy

Greece was accepted into the Eurozone countries in January 2001, and it was one of the 12 original European member states where the new currency started circulating the following year. As a result, the macroeconomic environment of the country has been transformed radically. As a member of the Eurozone, Greece does not have an independent monetary policy anymore because it has relegated this responsibility to the European Central Bank. Of course, this strategic decision came with many advantages and disadvantages.

The low interest rates that came with the arrival of the euro generated fast economic growth with the creation of a "credit" culture. For the first time, Greeks were able to get mortgages and personal loans with very low interest rates. As a result, the country has enjoyed economic rates of growth of 4-5 percent, substantially higher than other European countries. However, the common currency may have contributed in the loss of competitiveness that certain Greek industrial sectors are facing. Many Greek industries in the past were able to compete internationally because they had the protection of a cheap currency that was devalued regularly. This devaluation would make Greek exports more competitive. The euro brought an end to this policy and companies based in Greece can compete internationally only by becoming more innovative, keeping down their costs, and increasing their productivity.

This loss of Greek competitiveness can be seen in the dramatic increase of the trade deficit. In 2006, the country ran a trade deficit of 14.3 billion Euros or 13 percent of the country's GDP (Badiani, 2007). Obviously, despite the high rates of economic growth that the country has enjoyed in recent years, the high trade deficits are not sustainable.

The curtailing of public spending is another major challenge for Greece. The country has consistently run public budget deficits, and as a result, its public debt has been over 100 percent of its GDP. The budget deficit skyrocketed to 7.8 percent of GDP in 2004 as the country was preparing to host the Olympic Games. It since has fallen to 2.4 percent for 2006 and 2007, and it is projected to further fall to 1.8 percent in 2008 (Economist Intelligence Unit, 2007). Although the present conservative government has been successful in reducing the budget deficit and the European Commission lifted its surveillance of the Greek economy, it remains to be seen whether this reduction is sustainable. An ageing population and huge pension obligations may not allow the government to further reduce the budget deficit.

INTERNATIONAL TRADE AND INVESTMENT

Trade Trends

Greece's accession to the European Community in 1981 was pivotal in the economic development and the direction of the international trade of the country. Most of the nation's exports and imports are with other member states, although possibly due to its geographic location, its trade is not as integrated with EU in comparison to other smaller member states (Datamonitor, 2006). EUROSTAT (2007) data for 2006 – 7 show that approximately 65 percent of the Greek exports are directed towards the other 26 EU members. Germany is the largest export market absorbing about 11.5 percent of exports, with Italy (11.0 percent), Cyprus (6.5 percent) and Bulgaria (6.3 percent) following. It is also worth noticing that about 45 percent of Greek exports are directed toward the Eurozone countries, and therefore, they are free of foreign exchange risks. In recent years the former communist countries of Eastern Europe have become important export markets and the political détente with Turkey has led to a rapid growth of exports.

Greek imports follow similar patterns with 14 “old” EU members playing a dominant role in the Greek market (over 50 percent). Germany and Italy are the predominant exporting countries with 12.7 and 11.6 percent market share, respectively. Russia (8 percent) and Saudi Arabia (4.1 percent) are also important partners due to energy imports, while China is rapidly increasing its export share (Datamonitor, 2006).

Foreign Investment

Greece has traditionally not been very successful in attracting foreign investment. An arcane bureaucracy and an uncertain political environment did not create a welcoming climate for foreign companies. As it can be seen in Table 1, Greece is ranked 100th by the World Bank in the easiness of doing business. Some of the reasons that make life difficult for foreign investors are difficulties in starting and terminating a business, dealing with licenses, employing workers, registering property, and protection of foreign investment.

Table 1: Doing Business in Greece: World Rankings

Rank	Doing Business 2008
Ease of Doing Business	100
Starting a Business	152
Dealing with Licenses	42
Employing Workers	142
Registering Property	93
Getting Credit	84
Protecting Investors	158
Paying Taxes	86
Trading Across Borders	65
Enforcing Contracts	87
Closing a Business	38

Source: World Bank: Doing Business 2008, Greece

However, despite the difficulties of doing business in Greece, in recent years the country has tried to change its negative image and make itself more attractive to foreign investors. The present government has streamlined the bureaucratic process and made the investing process easier and faster. The government created ELKE –recently renamed "Invest in Greece Agency"- to provide a one-stop-office for foreign investors. The Invest in Greece Agency assists foreign investors through the bureaucratic maze and provides various incentives for them to locate in Greece. At the same time, the new 2006 investment law simplified the investment process. The new law divided the country in three geographic areas, providing higher incentives for investing in less developed regions. Based on the geographic region where a company invests, it may be eligible to receive a variety of cash grants, tax allowances, and wage subsidies (ELKE, 2008). It appears that the new government initiatives have worked. Inward FDI increased to 4.275 billion Euros in 2006 from an annual average of 1.103 billion in the previous three years (Bank of Greece, Statistics Directorate).

Hot Sectors in the Economy

Energy, technology, tourism, and food and beverage industries are the hot sectors of the economy where foreign investors are expected to concentrate their interest in the future (ELKE, 2008). The liberalization of the Greek energy market created an opportunity for foreign companies to invest in the country. A large number of companies undertook large projects either independently or in partnership with local companies. Especially in the area of renewable, "clean" energy, huge opportunities are emerging. For the last five years, the growth rate of renewable energy has been 30-50 percent per year and that high growth is expected to continue at least for the next 3 to 5 years (ELKE, 2008).

The area of high technology is also providing large investment opportunities for foreign investors as the country is trying to reposition itself as a knowledge-based economy. In the areas of microchip design and software technology, high growth is expected. Foreign high technology companies can take advantage of the highly qualified human resources at competitive costs, extensive local know how, and generous government investment incentives to establish successful local operations.

The more traditional areas of tourism and the food industry are expected to continue providing investment opportunities. Tourism always has been a very important area of the Greek economy, representing approximately 18 percent of the country's GDP. As a new emphasis is given to the development of integrated resorts with golf courses, conference centers, and marinas, opportunities are opening for foreign companies with the capital to undertake large developments. Similarly, in the area of food and beverages, large growth opportunities are expected as the country provides quality raw materials and as interest in the Mediterranean diet is increasing worldwide.

Although all types of entry modes have been used by foreign companies in Greece successfully, many multinationals tend to prefer joint ventures or other strategic alliances when entering the Greek market. Having a local partner makes it easier to do business in Greece. A native company will have the expertise to deal with the government bureaucracy, and it will provide the much needed political connections. Even large foreign companies, like Coca-Cola and General Electric, decided to enter Greece in partnership with a local company. It appears that foreign companies can succeed in Greece if they have the right local partner and take into account the special characteristics of Greek politics and culture.

GROWTH OF SERVICES IN THE GREEK ECONOMY

Although Greece historically had a poor agricultural based economy, services were always important for the Greek economy. Due to the topography of the country characterized by a long coastline and close to 2,000 islands, shipping has always been very important for Greece. The shipping industry has been very strong for over 200 years and Greeks own approximately 15 percent of the global commercial fleet in tonnage terms (Hope, 2008). This clustering and concentration in shipping has brought additional benefits to the Greek economy, with the development of various types of services to support the shipping industry. In addition, a large number of Greek shipping companies that in the past had moved their headquarters to places like London or New York, have started returning to Greece. This repatriation has resulted in the growth of a large number of high value-added activities in Greece (Hope, 2008). With the growth of international trade, the shipping industry is planning to develop its onshore service support activities within Greece and the shipping clustering in Greece is expected to expand.

Tourism has been the other major service activity in Greece. The tourism industry started growing following the end of World War II. By the 1970s, the country developed an extensive tourism industry, contributing over 10 percent of the country’s Gross National Product (GNP). In order to build its tourism industry, Greece capitalized on its natural advantages of sunshine, long coastline, antiquities, and proximity to wealthy industrial nations to create a successful infrastructure. The tourism industry has been very beneficial for Greece because it has created jobs in less developed peripheral regions. In recent years, the country has tried to further develop its tourism industry by concentrating in fast growing segments of the market. For example, cultural and religious tourism as well as urban tourism have had considerable growth. In addition, second home tourism has attracted attention, with Greece trying to compete with other Mediterranean countries in the development of second home markets for retirees from other countries.

The third major service area that has experienced growth in recent years has been financial services, especially banking. The introduction of euro in January 2001 provided Greece and the Greek financial sector with a stable currency. The low interest rates that came with the new currency provided a boom to financial services. Greek and foreign banks operating in Greece have increasingly introduced sophisticated financial products to a receptive public. Further growth of the financial sector of the economy is expected in the near future.

MARKETING IN GREECE

Two decades ago, foreign companies trying to market their products in Greece had very few media opportunities. Both the television and radio markets were dominated by public stations with strict advertising rules. However, since the late 1980s, the media landscape has totally changed with a plethora of private and public television and radio stations aggressively competing for viewers. In addition to the electronic media, print media, including newspapers and magazines, offers a variety of choices, from upmarket dailies delivering to an elite audience to down-market tabloids. For foreign companies trying to enter the Greek foreign market the type of product that they are trying to sell will determine their media strategy. For example, for companies selling consumer goods, a television and radio campaign may be more appropriate. On the other hand, companies trying to sell sophisticated financial services may want to try the very popular Sunday editions of the quality press. Foreign multinationals that want to reach a Greek audience have at their disposal a wide variety of sophisticated advertising agencies. Most major international advertising companies have a presence in Greece either with subsidiaries or with licensed partners. Therefore, a foreign company trying to enter the Greek market has a choice of utilizing the same advertising agency that is using in its home market.

Competition in Greece can be fierce in certain areas and very weak in other sectors. In the last 20 years, the country's entry to the European Union opened the market to international competition. Although the global competitive position of the country has deteriorated in recent years (The Global Competitiveness Report, 2006 & 2007, World

Economic Forum, IMD World Competitiveness Yearbook, 2007), in certain industrial sectors one finds very strong domestic companies that pose a threat to foreign entrants.

The retail environment in Greece characterized by fragmentation in the past is increasingly becoming more concentrated. Large grocery store chains, some of them well-known multinationals, are dominating the national market and have largely replaced smaller neighborhood stores. While in the past most shopping areas were located in the center of cities, suburban planned type shopping centers are totally changing the retail landscape. For international retail chains, the new retail environment has become very welcoming. The Swedish based furniture chain IKEA is an example of a company that has successfully entered Greece by building suburban megastores. IKEA was able to enter the Greek market without having to invest its own funds. It used a franchise agreement with Fourlis, a local Greek company, who built and operates the stores. However, other foreign retailers like Carrefour, Lidl, Praktiker, Metro/Makro Cash & Carry, Media Markt, Dixon's and recently ALDI, decided to enter the market with wholly-owned subsidiaries and joint ventures with local partners. In general, foreign retailers will find Greece a welcoming place with a population eager to adopt foreign retail trends.

PRIVATIZATION EFFORTS

The Greek economy traditionally was characterized by the large role of the state. The Greek government participated in most sectors of industrial activity. For example, the government nationalized Olympic Airways in the 1970s and owned the power and telecommunications companies. This Greek form of state-owned enterprises which was the norm in previous decades has started changing in the last 10 years. Although fairly late in comparison to other European nation, the country is moving towards privatizing a number of industrial sectors and enterprises. The main reasons of this change in attitude were the realization that the state is not necessary the best manager for certain state-owned companies and the abysmal quality of services offered by companies owned by the government. This privatization movement offers huge opportunities for foreign companies willing to navigate the notorious Greek bureaucracy.

Some of the most promising areas for foreign investors due to privatization efforts are in energy, infrastructure work, ports and airports, telecommunications, banking, and tourism. The present plan is for the government to continue with partial selling of public companies in the stock market without proceeding to full privatization (Economist Intelligence Unit, 2007). Power generation in Greece was the exclusive right of a government monopoly. This monopoly has now been broken and the government has invited domestic and foreign companies to compete in the power generation. Many companies have shown interest, especially in building natural gas-powered plants and in renewable energy. Telecommunications were also opened to competition in recent years and many foreign companies entered the market to compete for mobile phone licenses. Even the state company controlling telecommunications was partially privatized in recent years, and its performance improved dramatically. Last year, the government decided to sell a further 10.7 percent of the state telecommunications company, reducing the state ownership to 28 percent. Tourism also may offer big opportunities for foreign investors. The government is willing to sell certain aging hotels that it owned. Companies may find these historic hotels an attractive investment when expanding in a promising sector of the Greek economy.

BUSINESS CULTURE

Greek culture and society is very enterprising, egalitarian and open to foreign influences. The Greek business culture is characterized by a large number of family owned businesses. Although many of these small enterprises have experienced hard times with the opening of the economy, they are still the backbone of the national economy. The managerial style of most Greek managers is authoritarian in traditionally family-owned enterprises although there are indications that this authoritarianism may be changing as managers are becoming more professional and educated in business schools abroad. Personal communication tends to be important in Greek business culture. People prefer face-to-face communication even for small matters and oral communication is in most cases preferred to formal written memos. In general, the Greek business style tends to be informal with most people following a casual dress code. Surprisingly, for a fairly traditional society, women are well represented in most Greek businesses and professions, and it is fairly easy for foreign women to engage in business transactions. Because of the difficulty of written and spoken Greek, foreigners are not expected to speak the local language. However, attempts by foreigners to learn the basics of the language are much appreciated. English is widely understood by Greek businessmen and the younger generation tends to speak the language fluently. French, German and other major European languages are also spoken widely. Greeks used to go to work very early and finish around 2:00 p.m., allowing workers to return home for a late lunch (Mole, 2001). However, business hours in private enterprises nowadays are changing and tend to resemble the ones in other parts of Europe with employees in managerial positions working from approximately 8:30 a.m. to 6:00 p.m. Most state offices still open early in the morning and close around 2:00 p.m.

In Greece, it is quite common to offer relatively small value gifts to out-of-town business associates who visit for business purposes, especially in the early stages of getting to know each other. Greek managers will also bring such gifts when they visit current or potential business associates abroad. Gifts are usually nicely wrapped and opened when received. Neglecting to open a gift when offered could be interpreted as lack of appreciation of the gesture. On the social aspect of gift giving, Greeks generally exchange gifts on their "name-day," which is the day that the Greek Orthodox Church celebrates the saint after whom they are named. However, quite a few Greeks celebrate their birth date as well. When invited to a

Greek home for dinner or any other social occasion, even to watch a soccer (called football in Greece) or basketball game, you are expected to bring something small, such as a bottle of wine, sweets or a bottle of scotch. The latter is very popular in Greece. In some formal occasions, a floral arrangement or a basket with a variety of cheeses and wines may be sent in advance to the host's home.

When negotiating with Greek managers, one must remember that generally Greeks are good negotiators and that they enjoy bargaining. Moreover, Greek culture is ranked relatively high as far as power distance is concerned (Hofstede, 2001) and as a result, Greek firms are quite hierarchical. Therefore, ranks are important and play a significant role in negotiations. In their study on moral decision making, Zarkada-Fraser and Fraser (2001, pg. 286) find that among Greek negotiators *"a high degree of orientation to one's superior and company is prevalent"* and that seniority of the negotiator may play a role in his/her acceptance by the Greek negotiation team. Furthermore, they recommend that foreign negotiators should find out as much as possible about the relationship between the Greek negotiators and their superiors, because most decisions that are made during the negotiation process will have to be ratified by the negotiators' superiors. In order to establish a long-term satisfying relationship with a Greek company, foreign businesses have to invest the time to understand the Greek team's needs and interests. If the Greek negotiators perceive that their foreign counterparts did not spend enough time preparing for the meeting, they will be less likely to implement the agreement and will be less willing to negotiate with the same team again in the future (Gelfand and Christakopoulou, 1999).

Generally, when negotiating in Greece, managers must try to develop personal relationships with their counterparts, since such relations could be critical to successful business relationships. Also notice that most Greeks have a temper, and raising the tone and the volume of the voice during negotiations is quite common. In addition, trying to "play it tough" and pressure Greek negotiators is quite risky since they could take offence easily and even call off the negotiations. Finally, shaking hands is an important gesture in Greece, and it is done at the beginning and at the end of each meeting. A reasonably tight hand shake indicates a "strong" personality while a flabby hand creates an unpleasant feeling. Also, remember that patting one (even of the opposite sex) on the shoulder is quite common and it indicates friendliness. In the same context, embracing each other should be expected (although not always) when meeting for the second round of negotiations a few weeks later. As a matter of fact, one should be seriously concerned about the negotiations success if such gestures are not present at all.

CASE STUDY: Carrefour in Greece

In order to illustrate a successful strategy of entering the Greek market, the case of Carrefour, the French retailer, will be presented. This case shows the potential difficulties that a foreign company will encounter if it does not take into account the special characteristics of Greece, but also the great promises of the Greek market for firms following a strategy that corresponds to the cultural, political, and economic conditions of the country.

The Carrefour group was established in France in 1959, and today is the largest retailer in Europe. With a presence in 30 countries and three continents (Europe, South America and Asia), Carrefour is also the world's second-largest retailer with over 15,000 stores, company-operated or franchises. The Carrefour Group's entry in the Greek market occurred more by accident than a systematic foreign market selection process. Carrefour established its presence in Greece in 1999 when it merged with the second largest French super market company, Promodes SA, which operated supermarkets in the country under the name Continent. Promodes opened its first hypermarket in Greece in 1991.

Following the merger of the two companies, Carrefour made the strategic decision to seek a local Greek partner to assist in its growth plans for the local market. Therefore, in 2000, Carrefour joined forces with Marinopoulos SA., one of the largest Greek supermarket companies, to establish a 50-50 joint venture. In addition to traditional Carrefour hypermarkets, the new joint venture decided to create a multitude of supermarket formats to better serve the needs of the Greek market (Markopoulos, 2008). Today the group has 23 hypermarket *Carrefour*, 207 supermarket *Champion Marinopoulos*, 99 small size supermarkets *5΄ Marinopoulos'*, and 69 convenience stores *Smile Market* (Tsoulos, 2008). In addition, its subsidiary *Dia Hellas* operates 258 company-owned and 78 franchised stores (www.franchising.gr). In 2007, the group, including Dia Hellas, had sales of almost 2.8 billion euros vs. 2.5 in 2006. The group's management expects double digit growth for 2008 sales, reaching 3.4 billion euros by 2011, and plans to invest over 100 million euros in Greece in the next two years.

In order to achieve the unquestionable success that Carrefour presently enjoys in Greece, the company had to adjust its strategy and overcome early strategic blunders caused by ignorance of the conditions and demands of the Greek market. Although Carrefour's relationship with Marinopoulos, its local partner, always has been very good, and the French have shown respect to their Greek counterparts' views, they also maintained the upper hand in decision making. This French decision-making led to some insensitive to the local culture statements in the early years that resulted in serious public relations blunders. The French manager Eric Uzan, who was initially put in charge of Carrefour – Marinopoulos, caused strong reactions against the company when he expressed his views for longer store hours, urging the government to change existing legislation and liberalize store operating hours. These views, regardless of their merit, provoked strong reaction from competing companies and the local media. As a result, the company faced industrial unrest when left activist groups blocked the entrance of Carrefour stores, preventing customers from entering the stores. In addition, its stores were paralyzed by strikes when it was leaked to the media that management was considering having floor employees use roller skates so that they move faster around the store.

The negative climate created for Carrefour in Greece by the actions of the first French manager in the country did not prove to be fatal for the company because it was reversed by the actions of his successors. Learning from the mistakes of their predecessor, the French managers that succeeded him displayed a more diplomatic, responsive to the local culture managerial style. For example, the next French manager, Didier Fleury, established open channels of communication with the government, paying regular visits to the relevant Ministry and presenting Carrefour's views about market operation rules. Similarly, he managed to develop better relations and establish open channels of communication with the local media. In addition, in a move that gave Carrefour's image in Greece a big boost, Mr. Fleury decided to freeze prices for a certain period of time until Greek consumers had time to adjust to the new prices resulting from the introduction of euro. This decision was made at a time when Greeks were very angry and many were protesting perceived price increases that followed the introduction of the euro. The change in managerial style and responsiveness to local market conditions contributed to the increase of Carrefour's market share.

The third French manager, Jerome Loubere, who was assigned to Greece, found Carrefour – Marinopoulos thriving. His tenure in Greece, in addition to further improvement of market share and financials, was marked by the aggressive entry of Carrefour – Marinopoulos to the markets of Bulgaria and Cyprus. Management is also contemplating entry to Albania, Serbia and the Former Yugoslav Republic of Macedonia. Continuing his predecessor's smart policy about social responsibility, Mr. Loubere also applied in Greece a policy that the mother company applies in France and other countries, the operation of the *Social Supermarket*. The Social Supermarket was opened in Athens with the cooperation of the mayor of Athens who appeared in the Greek media praising Carrefour's initiative. This supermarket provides free basic consumer goods to qualifying low income families.

In February 2008, obviously satisfied with Carrefour – Marinopoulos' position and performance in Greece and wanting to enhance the company's responsiveness to the local market conditions, the multinational's headquarter management decided to put a Greek manager in charge of their Greek venture for the first time. Although many, if not most, of the large number of multinationals who have a presence in Greece have Greek managers in charge of their local operations, whether Carrefour management felt overly comfortable about their position in Greece remains to be seen.

The current success of Carrefour in Greece, despite the early adjustment problems, outlines a successful strategy for other foreign companies wanting to invest in the Greek market. It appears that a company has to use a more "locally responsive" strategy to succeed in Greece in comparison to some other EU national markets where a more "globally integrated" strategy can be successful. An aggressive managerial style that contradicts local practices will bring a strong reaction from local forces and will diminish the growth prospects of the company. The existence of a local partner providing the foreign company with much needed local expertise, may be very helpful in navigating the sometimes difficult Greek market.

Finally, the rewards of a successful venture in Greece may not be limited just in the Greek market. Carrefour and many other companies have decided to use their Greek ventures as a base of expanding in the more demanding markets of Southeastern Europe and Middle East. The Greek subsidiary of Coca-Cola, for example, has initiated the company's expansion in multiple difficult markets in Eastern Europe and Africa.

FUTURE OUTLOOK AND CHALLENGES FOR DOING BUSINESS IN GREECE

As discussed earlier and shown in the Carrefour case, Greece has great economic potential for foreign businesses, but it also poses some very strong challenges. The opportunities Greece is offering are concentrated in its fast economic growth, strategic geographic location, and privatization opportunities. The political transformation in Eastern and Central Europe ended Greece's isolation from its northern neighbors. As a result, foreign businesses can use Greece as a base to service the rapidly developing markets of former communist Europe. Greek companies with experience in the area can serve as joint partners and provide the much needed expertise to succeed in these challenging markets. Moreover, the opening of the Greek economy and privatization efforts in the areas of energy, transportation, and tourism provide foreign companies with large growth opportunities.

At the same time, the traditional challenges of the Greek economy still exist and may pose difficulties for foreign companies that decide to enter the country. The government bureaucracy can be very sclerotic, and the infrastructure may lag behind the standards of other developed nations. In addition, the complexity of the Greek political environment can create great difficulties for a company without the appropriate political connections. This environmental uncertainty is the reason that many foreign companies try to find a local partner when doing businesses in Greece. Overall, doing business in Greece can be rewarding and profitable for foreign companies, but a firm has to be careful not to make decisions that may contradict the political and social environment of the country.

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Further Information Resources

Invest in Greece Agency: **http://www.elke.gr/**