



Mini-multinationals

A Survey of Greek
outward investments

If you want to grow the company, you've got to outgrow the country. That's the realisation of go-ahead Greek entrepreneurs.

Greece is a small market of just 10 mn customers. Many business sectors are mature or soon will be.

But in today's global economy, a company which statically confines itself to satisfying only local demand, will soon find itself prey to competition from multinationals which, with new technology and economies of scale, are able to undercut them even in their home market.

Historically Greek governments called for inward foreign investment to take advantage of the relatively low wage economy.

A decade of income redistribution policies under Panhellenic Socialist Movement governments in the 1980s ended this situation. EU membership meant Greek tariff barriers had to be abolished and foreign companies did not have to produce locally to circumvent them. EU firms which might otherwise have invested locally switched to exports.

New style

To compete, domestic firms began to manufacture foreign products under licence and, simultaneously, to develop R&D to create uniquely Greek products. Skilled labour replaced manual and the surplus manpower was absorbed by the service sector.

A new breed of younger, foreign-trained executives introduced management techniques based on teamwork rather than hierarchy.

Today, Greece has a product base and a repository of technological and managerial skills that approximates those found in longer-developed northern European economies.

But, like the multinationals

that were once drawn to Greece for cheap labour, these Greek companies now need to outsource manual tasks to remain competitive and to establish sales networks abroad in order to increase turnover.

Only a few firms have had the resources to invest directly in western Europe except through strategic alliances with large foreign partners.

However, the change from a command economy to a free market economy in the former Comecon states, and the Black Sea and Turkic states of the former Soviet Union has opened new vistas.

Entrepreneurs from developed countries rushed to the Europeanised former Soviet bloc states of central Europe: Hungary, Poland, and the Czech Republic.

The Balkan market of some 50 mn for the most part drew a blank because of political and economic instability.

Greek entrepreneurs — sometimes acting as pathfinders for foreign joint venture or licencing partners — have stepped in to fill the gap.

Greek companies have benefited from the co-operation of left-wing Greek expatriates who fled to communist countries after their defeat in the civil war 1947-49. Ironically, the "human capital" of today's Greek capitalists in the former communist states, is frequently the progeny of Greek communists who sought to overthrow the capitalist system.

Greek entrepreneurs have had the backing of Greek banks who themselves have been expanding abroad.

There has been support, direct and indirect, through Greek venture capital companies and funds from the EU's **European Bank for Reconstruction and Development** and the **World Bank's**

International Finance Corporation.

Already more adventurous companies are looking beyond the Balkans into countries like the Ukraine, Georgia, Armenia and Russia — a potential market of 250 mn.

Cautious overtures are being made in the Turkic states of the former Soviet Union.

And some firms are looking even further afield to Africa and the far East, particularly China.

Staged progress

The practice generally has been first to invest in distribution networks, then to enter into joint venture production and finally to buy out the local partner. Some firms have gone directly to the final stage by acquiring a going concern in a privatisation sale but these sales have been plagued with political problems.

Once economic stability is restored in these emerging markets, multinationals from northern Europe, the US and Japan will return to the scene.

The Greek firms will have the advantage of having been first but they will have to draw deeply on their reserves of newfound experience to defend their interests.

By
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