

A Strategic Management Modeling Improving Economic Performance: A Case Study Based On Greek Enterprises

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Abstract: *After the crisis the new business environment will be different. It will bring a new balance in goods and services. With emerging trends, Greek enterprises will face more intense competition in the markets targeted, i.e. intermediate value-price combinations. Opportunities will exist in the traditional but also in other sectors. Nevertheless, there is an uncertainty regarding the number and type of companies that will take advantage of these opportunities..*

The successful adaptation of businesses under new circumstances will eventually determine the international competitiveness of the country, for example, whether Greek products and services will be available in new markets.

In competitive markets, the ability of enterprises and entrepreneurs is more crucial than the national environment itself. Business strategy is also very important. That is how one can offer attractive and quality offerings to a depressed consumer at lower cost levels. The innovative activity can draw inspiration from the world market and the Greek tradition, but also to rely on the creativity of the Greeks. Given the business practice, it is more feasible for Greek companies to adopt a model of "open innovation", rather than a model to guide research and development. Hellenism was always open to the acquisition, adaptation and dissemination of ideas. In the new context public policies can contribute more if they focus on supporting open innovation and diversity.

Keywords: *Enterprises, Development, Innovation, Diversity, Strategy, Domestic Markets, Sectors*

JEL classification: *F23, L26, L25*

Introduction

What will be the future of Greek companies after the crisis? Who will survive and in what form? What new will emerge? the future will certainly not be the same. It will have radical changes, but it is difficult to make predictions.

There will be positive and negative surprises as well. The problem of the competitiveness of Greek

businesses and the Greek business environment is structural. It has characteristics that have been established for years.

The crisis makes companies discover their strength limits. Some, adaptable already reacted beforehand, cutting unprofitable activities, reducing costs, going where there is demand such as international markets.

The most perspicacious business find opportunities in crisis. These business are open in new activities internationally by addressing the lack of liquidity in international approaches and partnerships.

They learn and change as they meet new customers and new conditions in other markets. The competitiveness of the Greek economy will be judged at a micro level. At the level of the ability of business units to place their bids and claim a role in the new, more open and competitive environment that is under remodeling. From the ecosystem of small and medium-sized enterprises will be developed, with an international orientation. And behind it, by the propensity and ability of individuals to take action and try to distinguish comparison with international standards.

The state of this process of adaptation and new entrepreneurship promotion plays a role. It can help in direct and indirect ways. Directly, with practical measures, improving the institutional business environment and focusing on support in order to obtain a competitive business ecosystem. Not necessarily in subsidies and privileges, as resources are scarce, but even in an indirect way, with actions related to shaping positive attitudes to business and its international distinction. Nevertheless, the governmental expectations should be realistic, aiming at adapting to new conditions. But also to express a new development model, a different political context. In addition to the growing internationalization of business the role of the state is changing.

(Hawawini et al., 2004). The internationalized business is exposed to many national contexts. The role of the home is less important. It has access to international resources and expertise for greater opportunities. Conversely, closely oriented home business will face more difficult financing conditions, together with more intense competition

on the same domestic markets. A lot of imported products can be found to domestic markets.

A Theoretical Framework Model

The international business environment, after the crisis, will be different. First, because of changing consumer preferences and emerging new standards. The consumer "count" his money and looking for ways to satisfy the same needs with smarter solutions. Today's consumer is looking for value for money products, that is high quality products in best price.

So multinational brands are under pressure. The loyalty brand has fallen sharply (Gerzema, 2009). The private label products are on the rise, while the intermediate products that combine quality with lower costs broaden their space. They offer more affordable solutions depressed consumer without substantial discounts on other qualitative properties of the product. They give value to less money to strong names in top quality ranking (value -for-money products). Second, global competition intensifies on supply while changing the traditional structures of the branches.

In addition, new multinational business manage to emerge to new international markets because of their low cost products. While in the past the flow was from western multinationals in developing countries, now extended backflow products. Companies from countries such as the BRIC and other smaller (e.g. Turkey in our neighborhood) internationalized and invest in developed countries (Athreye and Kapur, 2009; Madhoc, 2009). These companies quickly improve the quality of the absorbing Western technology. Simultaneously they invent solutions for consumers with low incomes, such as introducing cost innovations that radically reduce the prices tendered. To face competition and new conditions, traditional multinationals are moving towards lower prices for the same products, by reducing their cost productions, even by looking for better opportunities in low cost countries.

Even transporting high-value functions in emerging countries, such as research and product development. In that way, these companies enhance the technological potential of these countries by reducing at the same time, the competitive advantage of well-established innovative business (Rothenbuecher, 2008).

In addition, they enhance the evolution of new national brands from emerging countries (ethnic branding). These companies buy low-priced national companies which have difficulties coping with the crisis. Consequently, they create oligopolistic situations, at least in cases where no competition exist. Meanwhile, smaller companies focused on niche markets (niche players) innovate and move the world. "Unsung champions" from all

countries, even from Greece, expand their markets internationally. This balances the competitive advantage overturned. Overall, in the open market competition will be more balanced at lower prices, price differentials will diminish. The interim cost-differentiating offerings will gain share

Thirdly, the social and economic environment is changing permanently. The societal demands for corporate responsibility are becoming more powerful. The consumer is more informed and with the internet knows more about what they are buying and for the one who offers it. Businesses which react proactively, are able to meet the new requirements and they gain competitive advantage. Mere compliance with social regulations, for labor, environmental and ethical behavior is no longer sufficient. These trends open up new horizons for innovation and diversification of offers (e.g. "green" products, ethical actions, etc.). The leading companies after the crisis will be very competitive and different. With simple structure and lower cost. Committed to innovation, more accountable with "social" differentiation. Possibly with different business model, focused on different market segments and new consumers. With an international presence, and quite possibly, with a growing presence in emerging markets (BRIC countries and others). In the course they have developed internal skills and social capital to ensure their competitiveness.

Retaining committed staff in key sectors are in a better position to exploit the opportunities that will emerge after the crisis. How many Greek companies will be in that category? Even a few will have to be chain reactions in Greek financial sector. They will contribute to employment, to create tangible and intangible value for Greece. We want a number of such Greek businesses, even small in size, hidden champions, which will successfully place their products in open global markets. Moreover, the competitiveness of countries so designated by this is: The presence of national products on international markets. Thus competitiveness defined by the OECD (OECD, 2001).

The Greek business strength in crisis.

The resistance of Greek businesses to crisis depends on their ability to build and maintain a competitive advantage in lower cost levels, offer quality products at more affordable (not necessarily cheapest) price.

The majority of international and domestic markets are nowadays open to competition from Greek or foreign businesses, depending on their flexibility, agility and their degree of adaptation, as well as on the way they will exploit technologies, they will innovate and will allocate their resources. Surely a lot of these businesses will not succeed, but there

will be others who will rise to the occasion. The crisis will be a degree of culling, provided the balance of "birth-death" at the end is positive. It is difficult to predict which companies in which sectors will come out strong after the crisis. This will be a surprise. Their existing skills and their previous position will play an important role.

The leadership has always been and will be a critical parameter. Compared to other European countries, Greek businesses', competitive ability is at low level, while the capacity of managers is at middle level.

However, the Greek companies, the vast majority of micro-medium, have shown considerable resistance to the crisis. Positive factor may prove their family form, the strong culture that in time will govern their action. The whole family make sacrifices and bear the weight to cope. Indicative is the bankruptcy rate in 2009, which was the lowest in Europe.

Greek businessmen are trying to keep the business and to avoid bankruptcy, perhaps because their experience has shown them that they have no other alternative

This is a strong factor that is widely discussed. Indeed, the institutional functioning of the Greek market (personal guarantees, lack of alternative) does not help to disengage. While the market for control of undertakings is shallow, the sales potential is small.

In traditional Greek sectors with strong advantages the companies that will survive, are those that will have opportunities for growth after the crisis.

These companies belong mainly to the following sectors at: • tourism and services associated with them, but in a more qualitative basis and a more affordable price level.

- In food sector quality, combined with technology and innovation, and health food trends.
- In shipping and in services associated to shipping provided that there are competitive to other countries.
- In sectors which are dependent on national and Community policies, such as renewable energy sources and solar energy applications.
- In new technology sectors, which are participating in international networks or activities and integrated into international value chains, will have a high probability of success.

In addition, in other declining traditional manufacturing sectors, there would be opportunities for some businesses.

For example, textile companies that have been differentiated in quality products and international partnerships will have opportunities. Partly there will be an outcome from the closure of more expensive European companies, as well as management decisions for diversified offers.

The competitive strategy will play a more important role in the post-crisis period due to fierce competition and to lack of balances. The general outlines of the strategy are known and have been discussed recently, what will be needed:

- More diversification of offers with quality and innovations at lower cost levels. Comparison with the international rather than the local level.
- More intense entrepreneurship with new models, new ventures with local diversity. Liberation of inventiveness of human resources and fusion to creation and commercialization of new offerings to the consumer.
- Extraversion not only to the traditional exports but also with advanced forms of internationalization (partnerships, joint ventures abroad, international networking).

Exploitation of international innovation sources and opportunities for obtaining resources internationally. Strategies which will target customers who are satisfied relatively easily, especially in the domestic market, with minimal innovation and weak products will not be successful.

The lower cost is important, but it is not sufficient without other differentiating elements.

The reduction of labor costs has already been achieved with the increase of unemployment and the current revision of institutions and policies in the context of the Memorandum.

In Greece, one can find very educated staff with low wage (the lowest compared in the EU15).

It depends on a business to introduce other cost innovations in the value chain in their business model. Negotiating with suppliers, streamlining the product portfolio, reduction of prices of brands, focusing on new products more cost-effectively, focus on innovation and keeping talent that will boost such indicative moves, Ideas and experiences from low-cost countries can contribute, e.g. from their subsidiaries in Southeastern Europe and elsewhere.

The transfer of these companies to these countries, aiming at exploiting the most favorable cost conditions, is a temporary solution, in case there is not accompanied by a change of strategy.

It needs a sustainable competitive advantage on an international scale, because there the markets are open to competition. These strategies have proved to be efficient even in empirical studies before crisis.

In a sample of 800 SMEs, those which have more innovative methods, expertise, quality, marketing (service level, closer to the customer) organization are accompanied by better average results.

The innovation, when it is offered to products and to the production process, can be a more critical parameter after the crisis. The Greek companies have to invest in it, to achieve continuous differentiations offered. It is not necessary to invest

in major innovations involving elevated levels of risk. Neither large R & D departments that cost.

Sources of ideas can be found on the market by customers mainly, but also by partnerships and networking, and the employers themselves. This new type of "open" innovation goes well with the Greek business practice. Hellenism was always open to hire, assimilate, adapt and create. The acquisition of ideas from the market, even from the international, and their application to localization is a proven success. It can lead to a series of small innovations, often commercial in nature, which though unnoticed form successful course.

International comparisons between innovation indicators confirm that Greece, even though is at a low level in Research & Development (R & D), however, is high in "new to market" or "new to firm" products.

But there has been sufficient attention and use in the public debate (Lioukaset *al*, 2009). It seems that a Scandinavian type model with intensive R & D does not fit in the Greek business practice, taking into account that R & D in Greece is so low that it is very difficult to gain a position among leading small countries (e.g. Sweden, Denmark, Switzerland, Israel, etc.). It would take a long-term effort and support from the State, aiming at ensuring a more direct impact on corporate competitiveness in the next 2-3 critical years.

Some limited empirical results show that the Greek enterprises can be successful when there is networking in the market. The more dense networks the greater innovation and growth rates, and lower the impact of the crisis. These indications suggest even indirectly for investing in "open" type of innovation. The sustainable development approach, particularly the ecological dimension, contributes substantially to innovation. Opens new mental framework of its business and develop innovative capabilities.

Companies with higher environmental action achieve greater reduction in production costs and use of raw materials, improve their image and relationship with social groups, and significantly ahead on product innovations. These differences arise on average in six industries. The Greek companies can claim significant innovations through "green" strategy, at least in some sectors. In addition, Greek businesses acquire capability of production prospects characterized by continuous innovation.

National environmental and public policies.

The financial environment will support businesses in a more dynamic way due to lack of resources. The institutional environment and product market functioning and work is expected to become more flexible and in line with the philosophy of the Memorandum interventions more conducive to entrepreneurship. Existing businesses are pressed

from financing and the large drop in demand crunch, as mentioned above. In this environment, many companies will turn to the international markets, where there is demand. But to find more favorable conditions for survival and development. It could be argued that the capabilities and business strategy will be more important than the national environment in the new landscape. This is consistent with the results of international research. Existing studies have shown that, before the crisis, the country of origin factors of the business are less important than factors of the business itself (Hawawiniet *al.*, 2004).

The already existing studies highlight the following factors: (1) Company (2) Global environment (3) National environment

The impact of the national environment depends on how favorable can be for entrepreneurs to start their business and to this extent, the regulatory and institutional framework has been restructured.

The faster they remove the difficulties in the establishment and operation of businesses that will increase the number of enterprises but also the choice of Greece as a seat. Even will give way to innovation and creativity. It will increase employment around operational services.

The image of Greece to the crisis is certainly not conducive to the promotion of national brand abroad. Except of course, for some traditional industries and the cultural sector, where the name of Greece has been established. In other sectors, eg tech enterprises should develop same corporate branding and brand names, in pursuit of international repute.

Public policies towards business evolve. They were previously fragmented, scattered across many agencies and programs without completion (Lioukas *et al*, 2009). More importantly they were not oriented in a clear model of innovation, entrepreneurship and competitiveness. For example, policies and programs for innovation, research and technology and entrepreneurship have evolved independently. Innovation is lagging behind the other two, while underlying the general entrepreneurship rather than innovative. Many players are involved in the promotion of relevant programs, while the ambiguity in the competitive strategy of the country restricts their completion.

Key success factors are focus on innovation, differentiated offers, adaptation and diffusion of technology, through the use of Greek culture.

Support for international networking and partnerships for the absorption mechanisms and business skills, the creation and commercialization of innovative offers to international markets. Steps are being taken in this direction (eg ECAC, Investment Ratio, Specific Programs).

In accepting ideas as international competitiveness, Greece is ranked rather low. At levels similar to those of the EU-South, while the North excels considerably. And this is accompanied by correspondingly low overall levels of innovation.

After our national culture akin to the acquisition model and diffusion of ideas, at least let us strengthen relevant to what values. As confidence in man, the sharing of ideas and knowledge, intercultural education and culture creation / creativity values. Such an effort touches all levels of the education system, especially the first, but also the family.

Concluding Remarks.

After the crisis the new business environment will be different, since the consumers are more demanding, seeking for value for money products.

There will be great pressure from emerging multinationals from low-cost countries in intermediate products with price-cost combinations.

Internationalization will intensify with foreign products to increase their presence in the domestic market. At the same time the requirements for social responsibility of business will be intensified. This will provide opportunities for some operators to differentiate their offerings, the most innovative and socially and ecologically sustainable solutions. Within these trends many Greek companies will test their limits and will find many opportunities after the crisis. The balance at the enterprise level, among those who will emerge strong from the crisis and those who will not endure, will judge the international competitiveness of the country, i.e. whether Greek products and services will be available in open markets. Opportunities will exist primarily in traditional but also in other sectors. Crucial is the business strategy. Intensity modulation, with innovation and quality, but at lower cost levels seems to be the recipe for success. The aim is that the local diversity and creativity can be expressed in products for the modern consumer, with their target markets. At the same time, the successful company will be compared with international offerings, promoting advanced forms of internationalization and utilizing resources and opportunities internationally.

Ideas and experiences from the world market lead to cost innovations. The successful companies will intensify their pursuit of continuous innovation in offerings, mainly drawing ideas from customers, suppliers and other partners in the international market. That will follow a model of "open innovation". It is not necessary to invest significantly in Research and development. Small marginal innovations, often in the application, is more appropriate for the Greek business practice. Hellenism was always open to the acquisition,

adaptation and dissemination of ideas. The sustainable development approach, especially its ecological dimension, provides opportunities for Greek companies to innovate combined with tradition and specific elements of Greek creativity. The skills and business strategy will be even more important after the crisis than the national environment and the support of public policies. The country of origin factors become less important for internationalized company that has access to more national contexts.

Public policies can contribute more if they focus on a clear strategy of international competitiveness of enterprises, based on innovative differentiation.

By strengthening the mechanisms which will help them to implement ideas and to be extrovert. By focusing on resources and programs which will be technologically different.

At the social level, significant benefits will come out from the evolution of creation and entrepreneurship creation and by opening up to new ideas and to multiculturalism.

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