Chapter 18

Doing Business in Greece Within the Wider Context of SMEs Internationalization:

A Benchmarking Approach Between Greece and Selected OECD/EU Member Countries

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ABSTRACT

The ability of SMEs to remain entrepreneurially active is important since it not only improves their competitiveness and hence their entrepreneurial prospects, but it also creates a positive impact on macro-economic data. The present study focuses on a spectrum of such parameters which consist the framework within which domestic SMEs operate and international SMEs can 'Internationalise by Doing Business' in Greece and develop their entrepreneurial activity vis-à-vis other economies. Greece's business profile is analysed on the basis of the regulations, policies and mechanisms that it has established and operate in order to create a favourable environment for international enterprises and their activities in comparison with respective average of OECD members, as well as with six other European economies (French, Belgium, Italy, Germany, Austria, Spain). The main parameters of the 'Doing Business' model that are applied include: starting business, dealing with construction permits, getting electricity, investors' protection, resolving insolvency, getting credit, paying taxes.

INTRODUCTION

As it has been demonstrated in practice, within the wider context of the global financial crisis and its implications and effects on countries' economy, the respective economic reality is moving faster than relevant political realities (GSEVEE, 2013).. However, precisely for the same reason, we must accept that the growing economic interdependence requires a more determined and coherent response at the political level (European Commission, 2013).

DOI: 10.4018/978-1-5225-2458-8.ch018

The valuable role of SMEs in EU countries stems from their potential to drive economic growth, provide employment to more than half of their labour force as well as social integration to EU member states (OECD, 2009; GSEVEE, 2013)). However, it has to be noted at this point that contemporary EU SMEs (and especially the ones operating in Greece) are faced with the challenge to cope with the turbulence and uncertainty implied by the current financial crisis. This challenge mainly results in two crucial conditions: the need for development of their innovativeness as well as their entrepreneurial frameworks and skills (OECD, 2010).

SMEs' confidence indicators fell below previous lowest levels and bankruptcies rose sharply, since even viable businesses were driven to bankruptcy due to a lack of working capital on one hand and due to saturation of domestic markets on the other.

A business practice that expands entrepreneurial horizons for both SMEs and large companies is what is called 'internationalisation' and comprises a part of economic geography (Petersen &Welch, 2002).

INTERNATIONALISATION

According to Susman (2007) the term internationalisation defines the process of increasing involvement of enterprises in international markets. Apparently, there is no agreed definition of internationalisation with some economists (Digman & Fechol, 2013) arguing that internationalisation involves business activities that extend beyond the boundaries of a unified, internal market As internal market is also perceived the European Union EU and consequently any business activities between EU countries is not classified under the internationalisation spectrum (only activities with nations overseas). However, analysing the term grammatically this consists of two parts: the prefix 'inter' (which means between two parties) and the suffix 'nation'. In other words internationalisation involves any business interaction between at least two nations. In that respect any such interaction between European countries can also be considered as internationalisation. The most usual forms of internationalisation are exports, imports and foreign direct investment FDI. Since the present article focuses on the extent to which the framework of doing business in Greece facilitates domestic as well as internationalisation of foreign enterprises, the main type used as a term of reference in the following arguments is the FDI mode of international business activities (i.e. wholly-owned subsidiary, joint ventures etc) and general strategic alliances (Harris, 2003).

Internationalisation should not be viewed as an 'intrusion' by the host company but as a win-win situation that could benefit both parties involved. Specifically, international incoming players could benefit from getting out of saturated markets and expanding their business horizons and opportunities for increasing revenues and profits while domestic enterprises and especially SMEs can benefit from 'newcomers' know-how and their expertise and potential best entrepreneurial and general business practises applied (UNCTAD, 2000).

In the present era of globalisation of markets as well as of the rapid developments and changes we are experiencing, internationalisation comprises a great challenge for all firms in order for them to arrive at an optimal model of viability and growth that should be applied given the inherent obstacles (Digman, & Fechol, 2013).

However despite the necessity and benefits that can be derived from it, internationalisation ventures can be hindered by a series of internal and external obstacles with the former including obstacles such as high price of goods and services offered as well as high internationalisation cost and the latter including obstacles posed by the host economy, such as requirements in terms of regulations and policies that have