

The Importance of Family Trust for the Growth of Small and Medium-sized Enterprises (SMEs) Business in Greece of 2017

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Abstract

This paper analyzes the importance of trust to obtain growth of the Greek business. It starts by presenting the performances and the perspectives of the Greek economy from 1997 until 2017, by comparing the investments, development of numerous fields, political practices and how these effect the social structure (unemployment and immigration rates). Subsequently will be explained the dual crisis of the banking system and public debt; how the dual crisis minimizes the trust and as a result the growth of the Greek business at an international level. Demonstrates that the gain of a competitive advantage is mandatory. Also, the benefits and drawbacks of the foreign relationships of Eastern and Southern European countries through the prism of the European integration and the creation of alliances in the peninsula of Balkans will be examined. Finally, focuses on the innovation and the potential of the new model of the Greek family business.

Keywords: SMEs, family business, crisis, recession, company, innovation, growth

1. Introduction

The rapidly development of the international marketing system gives opportunities to corporations to expand and grow. The keen interest of the multinational companies of 2017 is the expansion. The comparison to the past the decade of 1960 shows that the economic phenomenon of the multinational business gained ground all over the world. Unfortunately, this type of company was a model that Greek economic system was not ready to develop due to the political crisis and the establishment of dictatorship on 1967. The duration of dictatorship was seven years and therefore Greece lost her place on the international economic arena of development.

At 1974 the dictatorship was officially ended. That year started the battle of the Greek enterprises to regain their place to the global market of competitiveness. The main goal of the time focusing to the entrance of Greece as a member state of European Economic Community. Across side with the effort of Greek government, small-economy and production started slowly to develop. Though the main area of production was the agricultural sector at the years of 1975 -1985 have been noticed

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that more and more small and medium sized enterprises were founded. The key point to the SMEs is the fact that the majority of them are family businesses. The family business form is called the backbone of many economies and that is true base of the growth of them worldwide.

Over the last forty years Greek economy according to the government has been trying to overcome hardships. The hardships that seemed to be in the past as 1997 until 2007 was the golden decade for the Greek both society and economy. Austerity was unthinkable political method for the majority of Greek population.

Greece since 1981 belonged to the European Economic family and prospects of development were a more realistic goals with the help and the means of the European Union. The financial liquidity increased and more investments treated a now area for the country.

At the time, the things seem to be in order. The signs of the problem of the public debt were unthinkable. The money was coming from everywhere and projects were many. The stock market was the next step for the Greek families and companies.

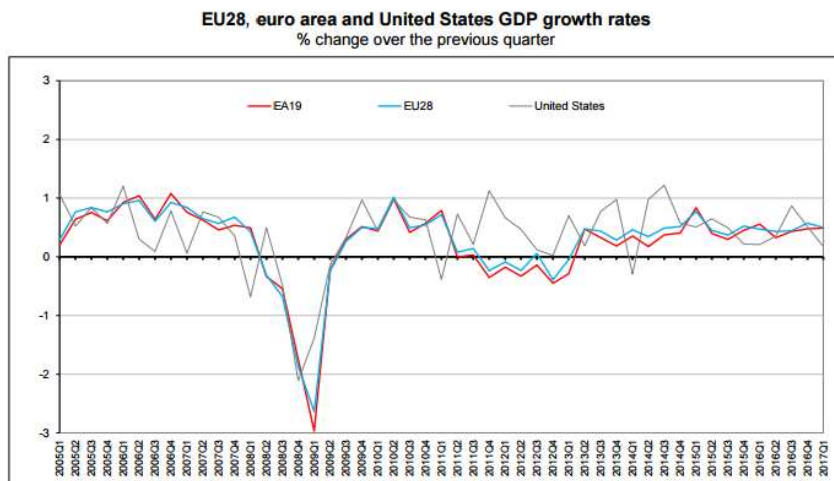
2. Dual crisis- Historical Analysis

“The uncertainty and the crisis are not gone, on the contrary exists the insecurity for what the future holds and is possible to create and the benefits which can be provided by the entire and the adaptation of euro as currency will make for the Greek society. The developments and the investments will be increased. The cost of life will have decreased. The uncertainty of everyone will be in a zero point for the life savings, the evolution of the national currency, the economic province of the family.” K. Simitis.¹

That was what in 1997 the pre-minister announced as he was to point out the way to do it. The goal was to gain all these benefits by meeting the presupposes to entry the Eurozone. And Greece met the necessary presupposes. The 2002 is currency of the country change to euro. From many have been said “the way justifies the means” for the means that the country used to become a member of the Eurozone family.

After the collapse of the global bank of Lehman Brothers in 2008, world’s financial system collapsed alongside. The recession of 2008 was estimated to be the worst in a period of 80 years, compared to the 1930’s. The economic crisis showed their results.

¹ K. Simitis, 1997 public speech

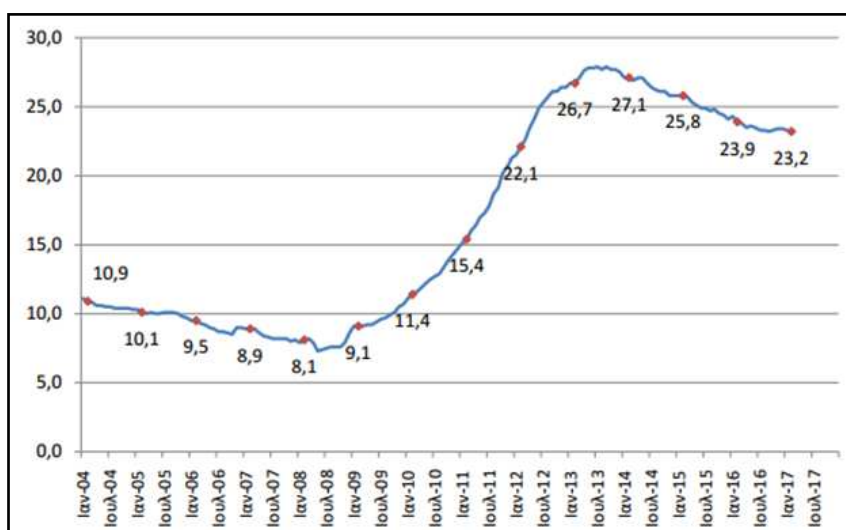


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Greek average growth rate of 3% in the 1990-2007 period can be explained as follows:

- 1.1% capital accumulation
- 1% TFP
- 0.9% labour.

At the period 2008-2016 the disinvestment had a negative effect to the economy's long-term growth prospects. The unemployment rate increased. The brain drain was a phenomenon that affected negatively the prospect of growth. Young and educated Greek generation seek for employment abroad, since the rates of unemployment from 2004 until 2017 are increasing as the diagram shows.



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² Data from <http://ec.europa.eu/eurostat/documents/2995521/8026125/2-16052017-AP-EN.pdf/e25d3d40-54da-42b9-a1c0-ae1a623b6bbd> all rights reserved

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The migration issue could be prevented if the private sector in Greece had seemed more interesting than the public one. The small and medium sized enterprises are most of the account of more than 98% of Europe's businesses.

3. Family business -SMEs

The family business as a model of corporation is more likely to survive and as the statistics showed the 2/3 of the Greek businesses are in fact family SMEs businesses. The crisis unfortunately in Greece during the period of the last ten years had a negative effect on the way the businesses operating. The exit of the global markets and the capital controls make it even more difficult for them to develop and prosper. On the international level, Greek enterprises are not trustworthy in general. But the specific factor of the family structure can make a business more "attractive" to potential investors.

3.1 Characteristics of family business

The three main points for the family business are families, businesses, and ownership structure. The way that family operate and promote the company make the nature of the company. The impact that the business was make as a family is different from the non-family counterparts and therefore needs a proper treatment.

The adaptation of specific laws and government policies on family businesses will help the development and protection of them and the partners. Several Member States have adopted this type of laws. The Committee believes that it would be useful to carry out a legislative procedure aimed at introducing a family business category into economic activity registers in all Member States.

According to the EESC⁴ opinion for the definition of a family business based on the Commission's group of experts on family businesses have these elements:

- Most of the decision-making rights is in the possession of the natural person(s) who established the firm, or who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child, or children's direct heirs.
- Those are indirect or direct.
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

However, the above the definition is too broad. It should be narrowed in such a way as to emphasize the family nature of the business, especially the multi-generational purpose of its work.

⁴ European Economic and Social Committee

Table 2: EU (27) average and respective data of Greece concerning the SMEs 2010-2013¹¹

Greece	2010/2011	2012	2013¹²
Enterprises	745 677	727 883	531 059
Gross Value Added (million €)	55 000	47 000	34 000
Number of persons employed	2 150 438	1 998 453	1 426 840
EU (27) Average	2010/2011	2012	2013
Enterprises	770 973	753 920	763 486
Gross Value Added (million €)	126 186	125 755	127 036
Number of persons employed	3 239 916	3 215 360	3 225 641
Greece VS EU 27 Average	2011	2012	2013
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Graphic 1-3: EU (27) average and respective data of Greece concerning the number, jobs and added value of SMEs during the period 2010-2013

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3.2 Challenges of the family business

Challenges of a Greek family business can be divided into two. First of the factors affecting the economy is financial recession and the measures that had been taken but the government. The unstable taxing system and legislation creating insecurity for the business. The second type of challenge is focused to the development and growth.

The family's business ownership does not consist of liquid assets but rather what the family builds and develops over generations, which encompasses values, traditions, and knowledge. Therefore, transferring ownership of a business to the next generation is the most serious challenge of all.

One important decision that the owner of the family business is faced to take is the choice of the successor. The succession planning is a necessity and what will secure the company. The intention of the owners of these companies is to make a legacy to pass to the next generation. A failure to choose and groom the best successor will have negative consequences for the company.

Family business try to create long-term jobs, which contributes to the creation of a family based organizational climate. For this reason, family businesses can provide desirable jobs.

The spouses or partners of company owners often play an important role in family businesses, although, for different reasons, they do not have a formal status. This can lead to legal and financial difficulties. Giving these people a more formal status as

⁵ Data from: http://www.gsevee.gr/press/mme_eng.pdf all rights reserved.

well as other family members informally involved in the activities of company, would help avoid difficulties in the event of family-related problems.

Capital markets aim to make a difference and make the environment for the SMEs to thrive at a long-term with financial stability. As members of European Union have the opportunity to gain access to financial aid, counseling and support.

3.3 New model of family business

The form of *societas cooperativa europaea* established a new form of alliance the companies SMEs which need to survive but because of their size are not capable to do it. The regulation 1435/2003 states the principles of the founding this type of company. The *societas cooperativa europaea* shows similarities to the national type of cooperative companies. The companies which cooperate in the European base network of businesses and investment opportunities.

Its goal consists of the satisfaction of the needs of their subjects, combined with the financial development, and the promotion under the rule of their participation on its financial activities of one or more European or National cooperative societies-companies.

The base of the certain society-company should be inside the European Union, while its transformation from a state to another does not follow either its lysis or the disappearance of its law prospective and the conversion of a new one.

4. Conclusion

Globalization is forcing companies to open up to new markets, technologies and skills. Family businesses should take these aspects into account in their development strategies. This could mean that they need to take on new employees, also in management positions.

Innovation for the family businesses is the main way to adopt and continue the existence of them. The tradition and the quality of the business is not the only goal that the enterprise needs to achieve. The SMEs family businesses have comprehended that innovation is the main goal to make the company bigger and more competitive. The advantage of the small company is that the entrepreneur spirit still exists. The small try to become bigger and stronger and in that education, information and training are the essentials to the innovation and survival of the Greek traditional family SMEs business.

The Greek economic history showed the necessary evidences according the wrong doings of the both governments and businesses in the past. These knowledge and experience of the past give the opportunity not to make the same mistakes as before. The training and education of the new generation could have a great impact on anti-corruption and help the whole country to overcome crisis on all aspects of life.

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