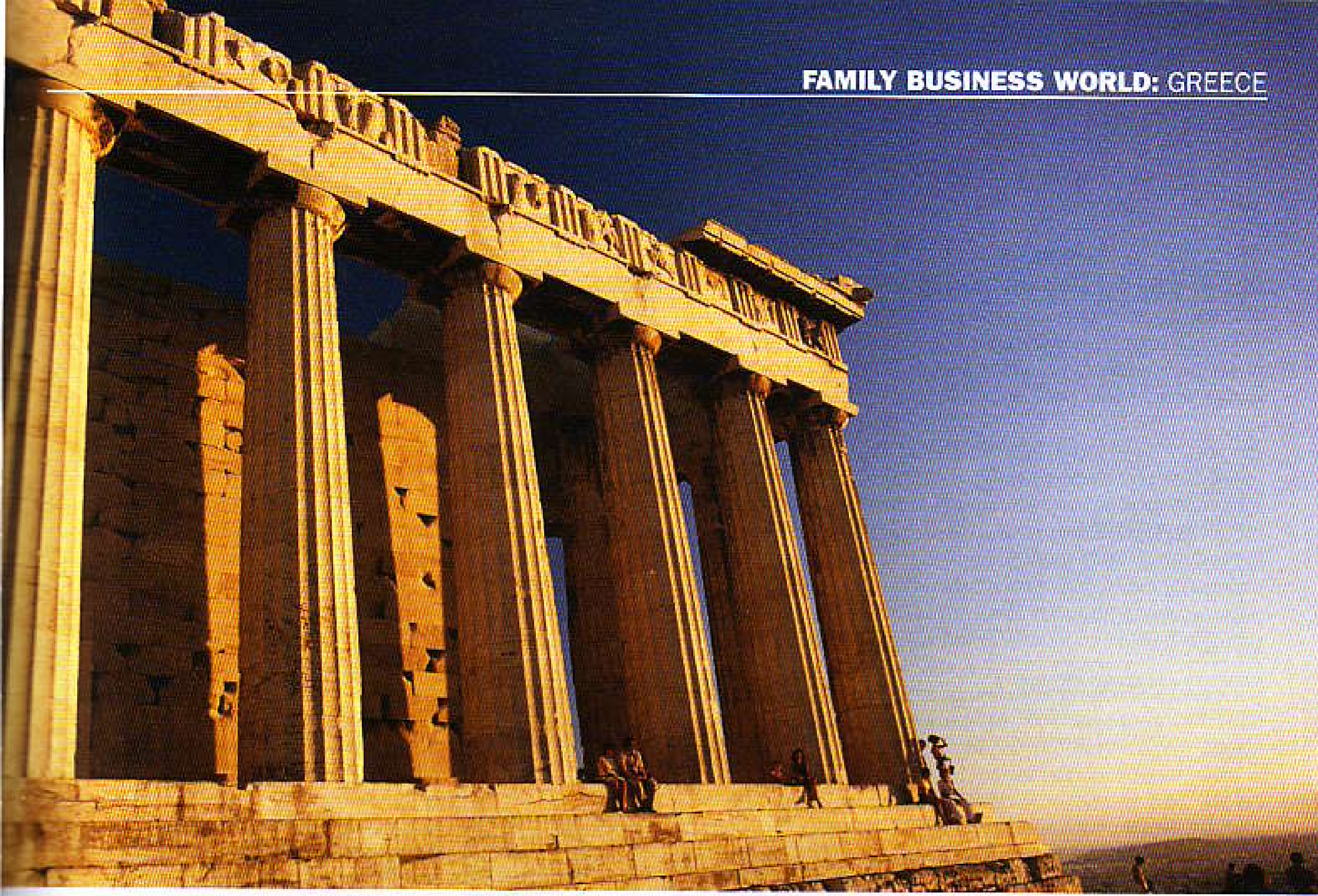


GREECE: WHERE BUSINESS *IS* FAMILY

It is no secret that Greek family and Greek business can frequently be referred to as one and the same. **Sarah Drakopoulou Dodd** and **Alexis Komselis** take a look at who the major players are and how they have triumphed over the economic disruption of the last century

There is a classic piece of research from 1970s social psychology, where small children around the world were told a story about baby birds being left in the nest, and their parents' flying away for ever. US kids told researcher Harry Triandis that the babies would just die. Greek Cypriot children asked why there would be a problem: Grandma and Grandpa bird would just come round and take care of them. You'd probably get the same response today, an illustration of how strong family bonds remain in this part of the world. Another pronounced Greek characteristic is for the divide between work and home to be very, very slim. Small service and retail business families continue to live above the shop, quite literally. Small wonder that the family and the business are frequently seen to be one and the same thing. When our students in Greece were faced with the three circle exercise, where family members are asked to draw three circles, which can be of any size, and overlap in any relationship, representing family, business management, and ownership we would be prsented with three concentric circles: the family holding the business and ownership inside its larger bounds. Often we are simply met by confusion, as people tell us "but the business is the family".

It should therefore come as no great surprise that Greek families have very strong traditions of working together, and of next generation succession in a whole variety of occupations and businesses. The current prime minister is the nephew of a former prime minister and president. The leader of the main opposition party is a third generation politico: both his father and grandfather were prime ▶

TABLE: HOW FAMILY BUSINESSES RANK AS PART OF THE 20 BEST PERFORMING GREEK COMPANIES PER SECTOR

SECTOR	FAMILY FIRMS IN TOP 20	NO OF TOP 20 FIRMS LISTED ON ASE	AGE OF OLDEST FAMILY FIRM IN SECTOR
Hotels and restaurants	17	-	1962
Construction	14	11	1960
Other services	11	7	1955
Mining and quarrying	9	-	1922
Commerce	8	6	1958
Agriculture and fishing	7	4	1944
Power, gas and water	6	-	1996
Insurance	6	-	1940
Other financial services	6	-	1981
Manufacturing	5	4	1888
Transport and communication	5	2	1946
Banking	3/15	3	1879

Data is for 2004 and performance rankings are based on pre-tax profits

minister. This tradition is as strong in the business world, across the whole range of Greek firms – from the mom and pop stores which still make up nearly half of all retail outlets, to the great shipping dynasties. Family business is the backbone not just of the Greek private sector economy, but of Greek society in a wider sense. Even when family members are not directly involved in the business, close ties ensure they remain aware of what is going on, creating what have been called virtual family firms. Fully a third of all reported personal network contacts for Greek entrepreneurs are family members, about double the rate for other countries for which comparable data exists.

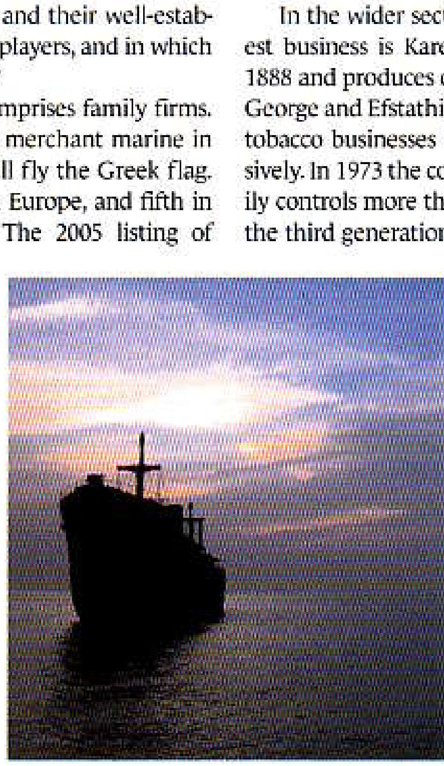
This perception that family and business are an indivisible single unit, however, is not without its own problems. A 2006 PWC survey in Greece found that the most common causes of family firm rivalry are future strategy, family member competence and family member level of remuneration. These last two issues reflect a still-perceptible tradition of well-paid jobs for all family members, regardless of contribution or ability. This is more than offset by the much stronger recent trend for would-be successors to be well-trained and educated, to be given authority and responsibility early, and to be held highly accountable for their performance.

Given the importance of the family firm to the Greek economy, it is all the more surprising that so little research, policy, education, organisation, and training exist for family firms within Greece. A few service providers, such as Grant Thornton, PricewaterhouseCoopers, and other individual professionals, do deliver specialised offerings. A bare handful of non-state universities and colleges offer courses or executive education on family business management. There is, though, some evidence that recent trends may be moving away from the family firm format. PWC's 2006 survey of Family Businesses in Greece found that 33% (Europe 7%) of businesses were considering selling out to an investor, rather than passing on to the next generation. They also reported that Greek family businesses identify a difference between business ownership and management, and are thinking of allowing non-family members to manage the business. There is a strong argument that structural issues play a role in this apparent change. Family firms face a significant issue when the decision is to be taken to pass the business on to the next generation. Inheritance tax remains high in Greece, although several measures have been introduced, such as tax reduction and postponing payment. Also, regarding the 13 measures issued by the EU for the sustainability of SMEs, the Greek government has only implemented two of them, leaving out issues such as tax benefits for restructuring, retiring and re-investing, or the right to switch the legal form of the business to guaranteed continuation.

The average number of employees of Greek family firms are just two or three people: usually husband, wife and child, according to a 1998 study by the Greek Entrepreneurs' Association. Sibling start-ups are also common, hence tavernas named 'The Two/Three/Four/Five Brothers'. How can this preponderance of tiny family firms be explained? Last century saw repeated disruption of the Greek economy, including an influx of more than a million refuges from Asia Minor in 1922, and the German Occupation and subsequent civil war. Business creation and survival was difficult, and may go some way towards explaining the lack of many very old Greek businesses. In the 1990s, the opening of Greek markets to the EU, and the rigours demanded by convergence, placed Greek family firms between the Scylla of sophisticated branded products from the developed economies, and the Carybdis of cheap products from the developing world. It has been hard for them to match the technology and marketing of their multinational competitors, or to match the low prices of firms from emerging markets. The environment is complicated by an unstable and frequently altered taxation system.

Nevertheless, Greek firms – especially Greek family firms – have managed to perform well over the past 15 years. Almost all larger businesses that are not multinational subsidiaries, or former public sector concerns, have family business roots. In recent years some have been sold to international establishments, and M&A restructuring within the Greek market has taken place. Many leading Greek businesses remain controlled by the founding family, and most still bear the name of the founder: 59% of the companies traded on the Athens Stock Exchange (ASE) are family held (197 out of 332). Indeed, it was the rise of the ASE in the early 1990s which signposted a new era in Greece, and introduced the tool of stock circulation to generate capital. In strategic terms, evidence suggests that Greek firms compete domestically on the basis of their strong knowledge of national and regional markets, and their well-established brand names. Who, then, are the major players, and in which areas do family firms perform especially well?

Almost all the Hellenic shipping sector comprises family firms. The Greek shipping fleet remains the largest merchant marine in the world, if measured by ethnicity, but not all fly the Greek flag. Still the formally Greek fleet is the largest in Europe, and fifth in the world, generating €12 billion in 2004. The 2005 listing of Europe's 100 fastest growing company's includes four Greek firms, all of which are family-owned and managed. The Milonas family's Alumil grew 167% in employment between 2001 and 2004, making it the 25th fastest growing firm in Europe, as it approaches the €200 million turnover marker. From the same sector, S&B Industrial Minerals, with 2200 employees and a turnover of more than €400 million, grew by almost 50%. Founded in 1934, 58% of S&B is still in the hands of the Kyriakopoulos family, with the remainder floating on the ASE. The third fastest growing Greek firm between 2001 and 2004 was Tsakos Energy Navigation. Plaisio Computers is not listed as yet, and grew by 84% in the relevant three year period. Started by Georgos Gerardos' as an engineering and office supplies business for fellow students in 1969, it has grown into a retail chain and direct sales giant, turning over around €260 million in 2005. Georgos' son Kostas has worked in the firm since he was at high school, beginning with the traditional shelf-stacking, and is now assuming significant executive responsibility.



Seafaring: almost all Greek shipping is family run

The Table on the previous page divides the Greek economy into its 12 main sectors. For hotel and restaurants, construction, and other services, more than half of the most profitable 20 firms per sector were family firms. Tourism has long been of major importance to the Greek economy, of course, and accounts for around 16% of GDP. The "other services" grouping includes that traditional family vehicle, the holding company, as well as casinos and television stations. As for construction, all of the 14 companies in the top 20 date to the post-civil war period: the oldest, Pantechniki, was founded in 1960. In power, gas and water all six of the family-held top firms deal with electricity production from an alternative source, such as wind and water. These businesses are young and are considered spin-offs from the construction sector, following the deregulation law for electricity production in Greece. Young female engineers and managers entering family-owned construction firms – and other traditionally masculine sectors – have acted as a powerful example to other businesses. Females hold, on average, higher ranks in family firms than in non-family businesses in Greece.

The oldest mining and quarrying business is a salt producing business, Kalas Kalamarakis. Kalas was founded in 1922 by Emmanuel Kalamarakis and is the biggest sea salt producing company in Greece, and one of the leading salt producers in Europe. The founder's grandson is currently CEO and in the last five years Kalas has increased its turnover by 19%.

In the wider sector of manufacturing (10-12% of GDP), the oldest business is Karelia Tobacco Company, which was founded in 1888 and produces cigarettes. Karelia was founded by two brothers, George and Efstathios Karelias, in 1888. It became one of the biggest tobacco businesses in Greece, where tobacco is still farmed extensively. In 1973 the company was listed in the ASE, although the family controls more than 80% of the stock. Today the family is run by the third generation, with the fourth generation holding executive positions.

The second most profitable manufacturing business in 2004 was Motor Oil Hellas (MOH), one of the very largest family-controlled businesses in Greece, with a turnover of €2924 million in 2005. MOH's first refinery was built in 1970, and the family holds more than 60% of the business. Vardis J Vardinoyannis is CEO and chairman of the board, and three other family members sit on the board. MOH is a significant part of the Vardinoyiannis clan's overall holdings, which also include shipping company Avin international, two Greek fuel retail chains (Avin and Cyclon), Panathinaikos football team, a leading Greek TV station (Star), and a multiplex cinema chain.

Amazingly, three of Greece's 15 banks are still family held, among which are the two most profitable, Alpha Bank and EFG Eurobank Ergasias. These are also the second and third biggest Greek family businesses, by turnover. The oldest is Alpha Bank, founded in 1879 by Ioannis Kostopoulos who started a commercial business in Kalamata. The banking branch of this business became the Bank of Kalamata. Today the business is listed in the ASE and the family controls 9% of the shares. EFG Eurobank Ergasias (more than €500 million profits in 2005), is part of the group led by second generation entrepreneur Spiros Latsis. His legendary father, 'Captain' John Latsis, who died in 2002 at the age of 92, began life with a single fishing boat, before building up a shipping, oil refining, construction and banking empire, which his son Spiros has extended further.

The overall story of Greek family firms is a complex and dynamic mixture of tradition and innovation, small and large; a tale of triumph over the repeated adversities of the past century, and a promise of hope for the country's continued economic development. ■

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