Discussion Paper No. 4

A Capitalist Diaspora:
The Greeks in the Balkans

Antonis Kamaras

June 2001

The Hellenic Observatory
The European Institute

London School of Economics & Political Science

Table of Contents

Acknowledgements

I am grateful to Yiorgos Mylonadis, Assistant Professor of Strategy and International Management at the London Business School, for reviewing this paper in a very open-minded but also critically probing manner. Andrew Kenningham from Merrill Lynch, Yiannis Manakos, Managing Director of Huts/Spot & Thompson, and Panos Tsoupidis and Vasilis Karatzas, Managing Director and General Manager respectively at Global Fund Management, provided me with invariably incisive comments. If I have not adequately addressed some of them, it is at my peril. I can only marvel at the graciousness with which my incessant requests for assistance have been treated by Agis Leopoulos, Chief of Staff of the Governor of the National Bank of Greece and Yannis Katsouridis, Head of Institutional Sales at National Securities Co. I am also much obliged to all the Greek executives and entrepreneurs who, without exception, responded to my enquiries with alacrity and forthrightness. Professor Tsoukalis and Dr Anastasakis insisted on my coming up with something significantly better than that with which I started and for that I thank them. Let us hope that I have not fallen too short of their expectations. This work could not have been undertaken without the support of three eminent members of the Capitalist Diaspora - namely 3E, Eurobank and Titan Cement - which provided funding for my research post at the Hellenic Observatory.   As usual any errors of omission or commission are mine alone.

1. Introduction

This paper will employ a narrative sequence to delineate Greek business activity in the Balkans. As such it will provide a context for the evolution of the Greek business presence in the Balkans in the last ten years.

In this narrative sequence we will not examine the single Greek company in isolation. Instead we will seek to place corporate action in the context of what we will call the Greek Capitalist Diaspora, a rather motley crew comprised of both corporate entities and individuals; of subsidiaries or partners of multinational companies based in Greece but operating in the Balkans, as well as of companies domiciled in Greece and owned by Greek citizens; of street-smart even if small-time entrepreneurs as well as of highly trained corporate executives.

But is Diaspora a valid term for what we will seek to analyse? Scholars of the Diaspora phenomenon would have no compunction in applying it to our case. Cohen, in his primer on Diasporas, confidently asserts that "The [Japanese] personnel who service the banks, insurance companies, import-export houses and transnational corporations are an updated version of the trading and imperial diasporas of old".[1] The literature on the role of the Chinese in the economies of South East Asia would most often opt for the expression 'business networks' and 'business communities' (Backman, 1995). The concepts of business networks and business communities, have also been employed in the analysis of small and medium-sized enterprises (SMEs), originating from a particular country, which have been internationalising their operations in Central Eastern Europe (Meyer, 2000). We see no reason, other than a preference among differing disciplines to employ their own nomenclature, why the term Diaspora is not employed across the board. In our case we will use it in order to describe and analyse ethnically linked companies and individuals operating in countries other than the one from which they originate.

At the same time, in our approach patterns of behaviour observed in a Diasporic context form part of the wider "idea that institutions and individuals are inevitably and always part of rich

[1] Robin Cohen, *Global Diasporas An Introduction*, UCL Press, 1997, p.184.

social networks".[2] Thus this paper will not only employ insights from the literature on ethnic business networks but also from research on business and social networks in general.

Admittedly the term Diaspora has been conspicuously absent from the literature on the evolving Greek business presence in Balkans; but neither have Greek scholars utilised the vocabulary and the tools of business network analysis to explain Greek business activity in the region.[3]

We think this no coincidence. We detect a bias for a public policy perspective in Greek scholarship on the issue, a bias which in its attempt to evaluate the consequences of Greek business activity in the region focuses on the national and the regional while underestimating the ethnic and the global. Greek business activity is seen through the lenses of its impact on national economies, either that of the home country (Greece) or that of the host countries. Such an impact clearly occurs and must be evaluated. But by thus constraining our vision we fail to understand both the modus operandi of Greek corporate actors in the region as well as their wider influence in the transition process.

By differentiating between companies domiciled in Greece and entrepreneurs of Greek origin based in the region, and then ignoring how they are linked together, we fail to capture the creation of a marketing infrastructure in the region which is a critical asset for the Diaspora and its members. By distinguishing between Greek subsidiaries of multinational companies (MNCs) and majority-owned Greek companies we do not take into account, among other things, an active labour market where expertise accumulated in one corporate entity is rapidly transferred to another through the career choices of corporate executives. By not evaluating the advantages of proximity from a network perspective we do not notice how these advantages both shape and are shaped by the Diasporic network.

In contrast, by examining Greek corporate action in a Diaspora context we will, as Grabher and Stark put it, assume the starting premise of "networks that link firms and connect persons

---

[2] Brown J.S. and Duguid P., *The Social Life of Information*, Harvard Business School Press, 2000, p.ix.

[3] See Giorgos Rizopoulos, 'Foreign Direct Investment and Western Firms Internationalisation Strategies in the Balkan Countries' in *The Development of the Balkan Region*, ed. by Petrakos G. and Totev S., Ashgate 2000 and Lois Labrianidis 'Are Greek Companies that Invest in the Balkans in the 1990's Transnational Companies?', in *Contemporary Greece and Europe*, ed. by Mitsos A. and Mossialos E., Ashgate 2000.

across them…[In such networks] the unit of entrepreneurship is not the isolated individual but networks of actors…[while network] legacies are not simply resources of the past but can serve as resources of the future”.[4]

By so doing we will essentially describe two stages in our account, the first being the exporting-against-all-the-odds stage and the second being the investment decision stage. In the first stage, which roughly covers the period from the beginning of transition up to the mid-1990s, we will concentrate on two themes. Firstly on the export performance achieved in the Balkan countries by Greek firms, a performance which we will assert could not have materialised in a non-Diasporic context. Secondly on those seemingly stand-alone entities, and indeed exceptions to the rule, the first Greek-based companies who engaged in Foreign Direct Investment (FDI) in the region in those first years of transition. We will argue that although FDI could not have been, and was not actually, undertaken by the vast majority of Greek companies interested in the region at the time, the fact that FDI took place at all by a minority of companies at such an early stage had a significant impact on Diaspora capitalism later on.

In our first stage analysis we will, as already indicated, describe a series of symbiotic relationships which have been portrayed antithetically in the literature, relationships such as the one between the ‘opportunist’ and the ‘serious’, the ‘Greek company’ and the ‘multinational subsidiary’. It is through such a portrayal that the concept of a Greek, Capitalist Diaspora in the Balkans will assume form and content.

In our analysis of the second stage, which commences at the mid-1990’s and brings us to the present, we will seek to delineate a confluence of factors. Crucially at this second stage, state capacity and inclination for structural reform in the Balkans increases as administrations become more experienced and major systemic crises accelerate the sale of key state assets in sectors such as banking and telecommunications, to foreign parties. At the same time widespread insider privatisation, effected through the method of management employee buy-outs (MEBOs) and involving thousands, of mostly small to medium enterprises, seemingly forecloses some options for foreign investors. In reality, however, the foundations are being

[4] Grabher G.and Stark D., ‘Organizing Diversity: Evolutionary Theory, Network Analysis, and Post-socialism’ in *Restructuring Networks in Post-Socialism*, ed. by Grabher G. and Stark D., Oxford University Press, 1997, p.3.

laid for an active market in corporate assets in the region as a class of sellers is being created and state intermediation recedes in importance.

We will assess Diaspora positioning and responses in the context of both of these developments. Extensive reference will be made to Greek financial institutions for which their initial motivation, to service their Greek corporate clients in the region, is transformed into an enabling factor for the execution of a wider strategic intent, namely the acquisition of extensive, region-wide banking networks. The point will be made that this transformation of the activities of Greek banks in the region, although it escapes the confines of the Diaspora, simultaneously enhances Diaspora advantages.

Our discussion will next turn to the issue of those qualitative elements that constitute Greek investment activity. What is the nature of the assets that Diaspora Capitalism has acquired in the region? Do they confer any sustainable advantages to the Diaspora members and if so which are these? Is the efficient utilisation of these assets a problem-free proposition and, if not, why?

We will also attempt to link our analysis of Diaspora action and advantage with the strategies and the potential positioning of MNCs in the region. In that respect we will concern ourselves with the issue of cost containment strategies by Diaspora members, particularly in retail and marketing activities, in what still are currently, and likely to be in the future, extremely price-sensitive markets. We will argue that the Diaspora, due to its privileged access and know-how of regional assets and resources, is inherently better suited, than a generic foreign investor, to pursuing such strategies in the foreseeable future. We will speculate on whether that factor strengthens Diaspora leverage vis-à-vis MNCs, enhancing the appeal of partnerships of MNCs with Diaspora entities, which in turn further enriches Diaspora positioning and expertise.

Throughout our story we will follow the people. The money will take care of itself.

2.This is the beginning of …

2.1. Exporters and Merchants & Distributors

The first observation that we have to make is that the majority of the firms domiciled in Greece were structurally incapable in the early 1990s of exporting to the Balkans.

As exporters to primarily Western European markets, Greek firms were used to channelling their products through well-established distribution channels, and either dealt with clients of long standing on open accounts terms or with lesser known entities which were serviced, for their trade finance needs, by well-known financial institutions.

None of these conditions obtained in the Balkans in the early 1990s. State distribution systems were in a state of collapse, managerially unable to respond to exploding consumer needs, lacking finance to do so and losing their outlets, through restitution processes, to old owners and new tenants. To give an indication of the impact of the restitution process on pre-transition retail structures we could do no worse than mention Bulgaria where "as of September, 1996, 90 % of all requests for restitution of ownership have been satisfied. About 22,000 properties…were restituted".[5]

At the same time the local retail sector that appeared on the scene was extremely fragmented and severely undercapitalised requiring an intensive, on-the-ground effort to approach and make it viable as a distribution channel. The export department of the average Greek exporting company had neither the resources nor the ability to connect with that fluid situation and undertake the requisite risks.

Yet despite all these handicaps Greek export performance rose exponentially in the region. As Wallden, a Greek trade analyst notes "Greek trade has been steadily rising, especially in exports where it has quadrupled since 1989…Greek trade presence in the southern part of the [Balkan] peninsula is spectacular. Greece is the first exporter to Albania and Macedonia, and answers for 55 per cent and 36 per cent of total EU exports to those countries, respectively.

[5] Mintchev V., 'Structural Reforms in South Eastern Europe: Demonopolization and privatization in Albania, Bulgaria and Romania' in *The development of the Balkan Region*, ed. by Petrakos G. and Totev S., Ashgate 2000, p.126.

Its share of EU exports to Bulgaria and Serbia is also very high, 16 per cent and 11 per cent respectively".[6] And although Greek exports in "Romania answer for less than 4 per cent of EU exports to that country, and this share has been dropping [there has been an] important increase in its $ value".[7]

Greek export performance in the Balkans 1989-97	1989	1992 (million $)	1997	1997 index (1989=100)
Romania	42.3	107.4	170.0	402
Bulgaria	68.6	167.2	278.3	406
Albania	18.8	41.3	314.8	1675
former Yugoslavia	109.5	90.5	535.4	489
FYR Macedonia			292.8	
FR Yugoslavia			192.9	
Other			49.7	
Balkans (total)	239.2	406.4	1298.6	543

Source: Greek statistics. EUROSTAT, COMEXT for year 1997.

However Wallden does not provide an explanation for this indeed 'dynamic' and 'spectacular' performance. What factors lie behind it and what are its wider implications?

We will argue, conjecturally, that these Greek exports would not have materialised without the vital intermediation provided by Greek entrepreneurs who established a presence in the countries of the region. Greek companies gained exposure to these markets through these entrepreneurs because they were themselves (i) unable to spare the management resources which were necessary for the setting up of a rudimentary distributorship; (ii) unable to evaluate and to take business risks as the purely local private sector was not approachable from abroad as it was too small to be located easily or to be bankable; and (iii) unwilling to resort to the outright illegality which was a concomitant of the business environment. But who were these entrepreneurs that overcame these difficulties on behalf of companies domiciled in Greece?

---

[6] Wallden A.S., 'Greece and the Balkans: Economic Relations' in Mitsos A. and Mossialos E., *Contemporary Greece and Europe*, Ashgate, 2000, pp.433-4.

[7] Ibid. p.434.

They were primarily small to medium sized merchants-distributors from Greece that established themselves in the main urban centres of the region following the collapse of communism, post 1989. *Specifically they were Greek citizens, born and raised in Greece, most of them having no family or business connections in the countries of the region prior to 1989*.[8] No extensive surveys have been conducted in order to profile their skill-set and capital endowment. However the general consensus, with which this paper is in agreement, is that they were, by and large, businessmen who had been marginalised in Greece.[9] They were the entrepreneurial flotsam of an increasingly unforgiving Greek market. And they were transfigured, in the Balkans, into a veritable flotilla of second acts.

A typical example of a Greek merchant-distributor was the partner in Bulgaria of ION, one of Greece's main confectionery companies. Working previously to 1989 in Thessaloniki, Greece, where he managed a small spare car-parts shop at a time when this line of business was becoming increasingly capital and knowledge intensive, in terms of sophisticated stock control and after-sales service, he grasped at the opportunity that Bulgaria offered. For spare car parts in Greece to confectionery distribution in Bulgaria, that was a risky but also

---

[8]There were Greek nationals or people of Greek descent who had lived in the Balkans before 1989 and they have all contributed to the evolution of Diaspora capitalism one way or another. There are those who somehow did not participate in the successive exchange of populations that took place throughout the twentieth century. Often of mixed parentage they provided a pool of people in the region who spoke Greek, could easily establish a relationship with Greek businessmen and often act in a facilitating capacity in a traditional dragoman role. There are the children of the communist guerrillas who had to flee Greece following the defeat of the left in the Greek civil war of 1944-9. Most of them returned to Greece during the 1970s and the 1980s but had been acculturated in the countries of the region. Some of them have reactivated their understanding and access they had acquired as youngsters in a business capacity post-1989. There are also Greek citizens who were able to study in Balkan academic institutions due to Greece's transition to democracy in 1974 and the greater willingness by Bulgaria, Romania and Yugoslavia to accept an increasing numbers of foreign students on their soil. For instance in the early 1980s Bulgaria would accept a couple of hundred of Greek students to its Sofia universities, most of them members of KNE, the Greek Communist Party Youth Organisation. By the late 1980s that number had reached approximately seven thousand students, most of them without any particular political affiliation, spread all over Bulgaria. Greeks have been studying in similar numbers from the mid-1980s onwards in Romania and Yugoslavia as well. Consequently today there are thousands of Greeks, from their mid-twenties to their early forties, fluent in the languages of the countries of the region and familiar with local people and local conditions in the major urban centres of the Balkans. They constitute an important Diaspora resource. Ironically, this is particularly the case with the ex-members of KNE. In a telephone interview with the author, Mr Nikos Hios who had studied in Sofia, Bulgaria in the early 1980s and later on became the Bulgaria correspondent of KATHIMERINI, Greece's main broadsheet, has made this point. Members of KNE, studying in the Balkans, because of their small numbers and the fact that they had to live in student dormitories, as they were not allowed at the time by the authorities to choose accommodation of their own, socialised much more deeply with their local fellow students. They thus tend to be much better connected today with local elites than the other Greek students who followed in their path, from the mid-1980s onwards, in greater numbers and in increasingly liberal host environments.

compelling move to make in the early 1990s. It was the move from an environment where basic business skills, aligned with native intelligence and hard work, were no longer sufficient to one where they were both scarce and valuable.

Such merchants-distributors were adequately capitalised for the task at hand and experienced compared to local businessmen.[10] They could rapidly set up an elementary but effective distribution system - usually comprised of a modest warehouse facility and several trucks - and engage with very low overheads in 'door to door' sales to the small local retailers. In other words, they provided the marketing infrastructure that companies domiciled in Greece did not possess at the time and which was not available from the private or state sector of the host countries.[11]

These merchants-distributors, in their intermediation capacity, were instrumental in managing risk in a highly uncertain environment. Proximity made this exercise both possible and worthwhile. The small distances involved (Athens to Bucharest, one of the longest shipping distances, is fourteen hours' drive, while Thessaloniki to Sofia, a more common distance, is four hours' drive) meant that it was not excessively time-consuming for the exporting company to supervise the logistics of the repeated small consignments that the market could absorb. The exporting company and the merchant-distributor could, between them, manage to limit the costs and friction which were and are still attendant to the seemingly simple activity of moving a product from one point to another.

---

[9] Labrianides L., The Reconstruction of the Balkans and the role of Greece: A critical approach, in *The Development of the Balkans*, ed. by Petrakos G., University of Thessaly Press, 2000, p.381.

[10] According to the Bulgarian Foreign Investment Agency the average size, in terms of registered capital, of 1,274 Greek-related entities established by 1997 in Bulgaria was US$ 40,064. According to the Romania State Ownership Fund the average size, in terms of registered capital, of 1,569 Greek-related entities established by 1998 was US$ 52,304 (Labrianides 2000). A note of caution is in order as possibly more than half of these entities either never became fully operational or later became defunct while significant Greek investment projects would have been registered by off-shore companies reflecting the greater sophistication which is attendant to size. Still these numbers are a useful indication both of the scale of Greek activity in the Balkans, in terms of how numerous have been the entrepreneurs who actually took a gamble in the region, as well as of the very small outlays that this mainly trading-distributing activity actually involved during the first stage.

[11] To our knowledge the subject of the relationship of Greek entrepreneurs based in the Balkans and their relationship with companies domiciled in Greece has not been surveyed and analysed in depth. The author worked in Sofia, Bulgaria for two Greek financial institutions, for a three year period, from 1992 to 1995, during which time he had the chance to become directly acquainted with over one hundred Greek entrepreneurs and executives out of a population of several hundred. The analysis and supporting cases offered in this section are based on this professional experience.

It is worth remembering here that Balkan countries share with other emerging markets an "inadequate physical distribution and logistics infrastructures… The road network is often inadequate in reach and size, and heavily congested with traffic, leading to extremely long shipping times…This, compounded by the presence of bottlenecks at various internal and external border and customs checkpoints, where graft and inspection slow traffic even further".[12] Thus the shepherding of a consignment of goods by an experienced merchant-distributor, based in the recipient country, is a critical process which safeguards timeliness and regularity of delivery, quality (in case of perishable or fragile goods) and even integrity (protection against theft).

The Greek company could also, because of the occurrence of repeated transactions of comparatively small volume, take a risk and deal with the Greek merchant-distributor on open account terms (i.e. in the absence of pre-payment or in the absence of a credit instrument related to the transaction such as a letter of credit). In turn, the locally based Greek merchant-distributor, thanks to his distribution infrastructure, could deal with local small traders, who could not afford to hold anything but the smallest inventory making repeated small-size sales necessary. In cases where relationships of trust developed and the Greek merchant distributor could see one of his local clients grow in volume and business capability he could take a risk similar to the one the Greek exporting company might have taken with him and deal with larger quantities and on open account terms.

In effect through the flow that we have described volumes could be built up gradually and in a way which was commensurate to the inherent limitations of the market and its participants; the Greek exporters, the Greek merchant-distributors, the cash-strapped local retailers and local consumers with very low disposable incomes.

Additionally the Greek merchant-distributor because of his small size and the personal nature of his business did not have to worry about reputational risk. That meant that he could engage in the under-invoicing that was necessary at the time to retain price competitiveness in an extremely cost-conscious market. A survey conducted in Bulgaria by a Greek bank in 1994 of 15 such companies (out of approximately 300 active ones in the capital, Sofia)

---

[12] Batra R., *Marketing Issues and Challenges in Transitional Economies*, Working paper No 12, The William Davidson Institute, The University of Michigan Business School, October 1996, p.9-10.

provides a typical snapshot: “transactions are predominantly cash-based… the companies in our sample transfer abroad [through banks] only the equivalent in value of their invoices… Invoices typically represent 20 % to 50 % of the true value of their products… their leva [local currency] revenues which exceed that amount are exchanged into hard currency through exchange bureaux [as opposed to banks] and taken out in that form from the country”.[13]

The relationships that were developed under these conditions covered a wide range, and that in itself was an indication of future developments. At one end we have sales in Greece to different merchants-distributors, at the company premises, cash on delivery, no questions asked. At the other end we have a very close co-operation which includes finance of marketing and distribution infrastructure costs (advertising, trucks, etc.) by the company to the merchant-distributor and regular consultation between each other on such issues as product ranges to be introduced in the market and pricing. It was often the case that a relationship could commence in the former way and develop into the latter, whereby the merchant-distributor became similar to a sales affiliate of the mother company as opposed to an independent entrepreneur. Through such an evolving relationship we could see the first steps being taken in the universe of companies based in Greece towards building up the internal capabilities needed for internationalisation of their activities in the Balkans.

The advantages that accumulated during that first stage and in the mode of operation that we described were several. Extensive knowledge was accumulated on the purchasing power and evolving consumer preferences of the markets in question as well as on regional variations. Familiarity was gained on the real estate markets of the major urban centres of the region and on the way they could be accessed in order to promote sales. These two factors would later serve as a valuable inheritance for a successful rollover of more systematic and deliberate sales strategies.

The Greek business community acquired an international reputation as an efficient importer of global branded goods, meaning that international partners or parent organisations of companies domiciled in Greece were alerted to the possibilities of the Balkan markets and to

---

[13] Kamaras A., *Banking operations of Greek companies established in Bulgaria*, Internal Memo, Egnatia Bank, July 1994.

the ability of Greek entities to realise these possibilities. Meanwhile Greek brands established a head start in these markets through the relationships that we described.

The dichotomy between short-termist, opportunistic action and long-term sustainable business strategies that has been raised by Greek research and commentary misses the mark. For instance, Labrianidis describes the phases which Greek business activities in the region underwent without any attempt to link them. In 1989-93 “many [Greeks] attempted to exploit the supposedly existing opportunities available [in the Balkans] … [they were] ‘entrepreneurs’ who thought that they could enjoy quick profits with no long term perspective”.[14] In contrast in the period from 1997 to today “one can notice a ‘rationalisation’ of the internationalisation process. There are large investments with long term prospects mainly by established companies in Greece”.[15]

The typology is not inaccurate, and indeed it is being employed in this paper as well. But, in and by itself, it is positively misleading. What have all these ‘entrepreneurs’ been importing all these years in the region? They have been importing products manufactured by ‘established companies in Greece’. Did this relationship have no impact on the internationalisation strategies of the companies based in Greece, on their developing perception of the markets in the region, of the opportunities available and the means through which they could be grasped? But then again this formulation of unlinked phases is made precisely because companies and individuals are examined in taxonomical isolation as opposed to being incorporated in a social setting which makes available substantial resources and opportunities; a social setting in the absence of which resources and opportunities would simply not exist.

In the absence of the population of merchants-distributors the average Greek exporting company would have stayed inactive and ignorant of its neighbouring markets not having had the necessary managerial resources at the first stage of transition to access these markets on its own. Valuable time and experience was gained in which Greek based companies were present in the Balkan markets, through their Diaspora proxies, time and experience which

[14] Labrianidis L., ‘Geography matters in the orientation of FDI: The case of Greek FDI in the Balkans’ in *The development of the Balkan Region*, ed. by Petrakos G. and Totev S., Ashgate 2000, p.478.

[15] Ibid. p.478.

was utilised to build up internal managerial resources so that a more deliberate and systematic internationalisation effort could be undertaken at a later stage.

For the MNCs too, these markets either could not have been approached at that point in time through different means since they could not attract the investment in time and resources from larger retail operators due to their small size and the then prevailing institutional and market upheaval. For instance, a large outlay by an established multinational retailer would inevitably be loss making, year in, year out. Its imported goods would be priced out of the market while domestic industry could not have provided it either with reliable or sufficiently wide-range supplies, due to the difficulties faced by domestic light manufacturing. Thus linkages between MNCs and the Greek Diaspora in the region were primarily established through these merchant-distributors.

This is not to say that the type of relationship that we described did not suffer from constraints. The analysis of market prospects by the company located in Greece was often incomplete. For one thing the merchants-distributors from whom the company would derive most of its information were conditioned by the market in which they operated. They were often street smart but lacked formal education or advanced managerial training. In a corrupt and nascent business environment they would place an emphasis on personal contacts without understanding the long term need of setting up an organisation. Furthermore these merchants-distributors worked with their nearest equivalents in Greece, namely sales people, rather than senior management. Typically their point of reference would be either the exports manager based in Athens or the regional sales manager responsible for Northern Greece. The chief financial officer or the managing director who could consider a more substantive step, such as the setting up of a fully-fledged subsidiary, an acquisition or a green field investment, could be approached but a discussion could not take place on equal terms.

The interaction between the company based in Greece and the merchant-distributor based in one of the countries of the region strongly fits Henry Minzberg's vital crosspoint, namely the linkage between informal, even accidental strategic thinking and deliberate strategic programming.[16] The organisational structures of the merchants-distributors were informal and they had a severely limited capacity to engage in strategic programming and

---

[16] Henry Mintzberg 'The Fall and Rise of Strategic Planning', *Harvard Business Review*, Jan-Feb1994.

implementation, through the activities of budgeting, analysis, planning, and codification. Still these merchants-distributors provided the means through which an emergent strategy would materialise; the pull factor of sales, the familiarity with the market terrain, the measure of the market's potential. It was up to the company in Greece, and its evolving aptitude and priorities, to respond to the challenge by strategically programming this emergent strategy. But it had the choice to do so and this choice had not been provided, in most cases, internally. It had been provided by the humble merchant-distributor.

2.2. Foreign Direct Investors: Just exceptions to the rule?

If the conduct of trade could have been intermediated in the way that we presented above Foreign Direct Investment could not be so. It should not surprise us that it did not, by and large, take place in the first years of transition in the Balkans. This was not only due to the difficulties prevalent in the region at the time, formidable as these were for any prospective investor from abroad. It was also due to the lack of previous experience and of suitable structures for internationalisation which characterised the majority of Greek companies of the 1980s and the early 1990s.

FDI is an inherently difficult enterprise for small and medium enterprises (SMEs). In an exposition of that theme by UNCTAD, FDI is described as a management-intensive activity because of the risks involved in the move and the necessity to collect and to channel information in order to support effective decision-making.[17]

Internationalising SMEs, according to the UNCTAD study, are in a particularly disadvantaged position, as their management is absorbed on current responsibilities and can only give a limited amount of attention to the analysis of new opportunities. The need to respond quickly and efficiently to day-to-day problems constraints efforts to allocate managerial resources to the evaluation as well as implementation of an investment project.

---

[17]UNCTAD, *Small and Medium Sized Transnational Corporations-Role, Impact and Strategy Implications,* 1993.

We must add to the above the observation that even Greek firms which were not SMEs, in terms of size of personnel and turnover, exhibited nonetheless SME characteristics with regard to their managerial capabilities. In some cases that was a factor of the predominantly family ownership ethos of the average Greek firm, an ethos which discouraged a culture of delegating responsibilities down the line accompanied by modern, IT based, methods of control and supervision. In other cases, as in the inward-looking and state-dominated banking sector, this was a reflection of the lack of general sectoral progress which inhibited the development of the requisite internationalisation capabilities.

Still the picture in Greece improves during this period. A study of mergers and acquisitions (M&As) undertaken in Greece from 1987 to 1994 notes that "with the consolidation of production capabilities within a few enterprises a powerful base is formed in terms of technology and capital which makes possible the transfer of production and commercial processes abroad".[18] Foreign participation in these M&As accounted for 60 per cent of the sales and assets of the companies under consideration and in eight of the sectors under consideration they accounted for more than 10 per cent of the sectoral asset base and total sales.

We thus have in Greece, at the time, a corporate population comprised predominantly of firms that exhibit SME-like constraints, in terms of their capabilities for undertaking international action. There is also, however, a significant minority of companies which, either as affiliates of MNCs or as competitors of MNCs in the Greek market, feature both adequate capitalisation and managerial depth.

It is predominantly from the ranks of this minority that we see direct entry to the Balkan markets, involving a substantial commitment of own-company resources particularly with regard to management time of the middle-upper level variety.

3E one of the Coca-Cola's anchor bottlers stands out as an example of this. With a long track record in Nigeria, one of the toughest business environments in the world by anyone's

---

[18] Georgopoulos A., 'Mergers and Acquisitions: A theoretical approach of the Greek reality', *Economic Review of the Commercial Bank*, Volume 2, April-June 1995, p.11.

standards, and having turned around Coca Cola's activities in Greece, 3E was both ready to perceive the opportunities of the opening up of the Balkan markets and to commit the requisite resources.

On the other hand, the ice cream manufacturer Delta, a survivor of the intensely competitive food and drinks Greek sector, became the first Greek multinational. Despite not having operated abroad before, it was one of the first companies to make the decision to invest in the Balkan markets and commit to them a rounded management team.

Financial institutions belong to an intermediate category. Large organisations with a significant, for Greek standards, analytical capability, they could approach these markets in a comparatively speaking methodical and purposeful manner from the very beginning. They were operationally hampered however by their lack of experience of operating transnationally and by a predominantly conservative managerial culture.

The National Bank of Greece, historically the most international Greek financial institution, was hampered by its very inadequately staffed Athens-based International Division as well as by the conservatism and lack of foreign language skills of its staff. Alpha Credit Bank, Greece's largest private bank had not undergone internationalisation (with the exception of a small-scale presence in London) before the establishment of its subsidiary Bucharest Bank in Romania in the early 1990's and so had itself insufficient headquarter resources to support its regional ambitions. Ionian Bank, which established one of the first Greek branches in Bulgaria, relied on its institutionally weak Corresponding Banking Division which was unsuited for implementing an internationalisation strategy. Xios Bank and Egnatia Bank, two small private financial institutions that were among the very first to establish units in Bulgaria, were much more flexible. However, they had just been founded in Greece in the early 1990's, following Greece's liberalisation of its financial markets, and were essentially focused in their efforts to secure their position in their home base.[19]

---

[19] The author has been the Director of Egnatia Bank's Representative Office in Sofia and the Deputy Manager of the Ionian Bank's branch in the same city. He had a staff position at the National Bank of Greece where he participated in the formulation of the regional strategy of that institution. He has also discussed Alpha Bank's positioning in the region in a course of a job interview for its Romanian subsidiary.

There were other Greek firms that had made similar commitments in the region at the time. But all in all, if we take as our rule the merchant-distributor type of firm, they constitute the exception. But it is in precisely in that context, of limitations revealed in the relationship between the company based in Greece and the locally based Greek merchant-distributor, that we have to consider the early FDI entrants as exceptions that in due course would help shape a new rule.

In effect the managerial and corporate experience that was accumulated by these early investors was disseminated through out the higher echelons of the Greek business community. Middle and upper level executives which belonged to the management teams of these early entrants could present a much more coherent picture and portray it in a much more persuasive fashion to their home market than the merchant-distributors talked about previously. They were assisted in this by the export volumes and excitement generated, across a variety of sectors, by the efforts of the merchant-distributors, while nonetheless injecting a qualitative difference in Greek corporate activity in the region.

They did so by strengthening second stage entrants either by joining their management teams or by offering advice as management consultants or financing as bankers. Let us chart a few career trajectories to make our point:[20]

- The Bulgarian country manager of Delta joined the Vasilakis group which set up a Hertz

  operations in the major Balkan markets and in Russia.

  main client roster consisted of Greek companies pursuing sales in Bulgaria.

  of the first Greek companies to invest significantly in a prime real-estate retailing network

  developed distribution networks in the Balkans for its own line of apparel, for Lacoste

- The branch manager of Xios Bank in Bulgaria, the first Greek branch in the Balkans,

20

and at a later stage become regional manager of National Bank of Greece, Greece's largest financial institution and at the point of writing one of the ten largest investors in the Balkans.

Such career trajectories carried with them:

- Familiarity with joint venture and privatisation processes (i.e. familiarity with country bureaucracies), as well as the pros and cons of acquisitions and green fields (i.e. familiarity with available technological and human resources).
- Familiarity with local rules and regulations and their implementation.
- Familiarity with the use and efficacy of the evolving mass media for marketing purposes.
- Familiarity with working with local partners to put their plans into effect, whether these might be lawyers, engineers, architects or suppliers, and knowledge of how to combine local partnerships with Greek imported expertise (as in construction and renovation either of industrial plants or of retail outlets).
- Familiarity with the kind of corporate infrastructure needed by the Greek partner to carry out a regional strategy, in terms of IT, reporting and logistical control systems and human resources, whether this infrastructure was to be located in headquarters or in the host country.

What would be the motives for such labour mobility? Scarce expertise in the markets of the region made it sellers' market as far as career executives are concerned. Expertise would be more greatly valued by a second stage entrant company than by a first stage entrant which might have successfully internalised it. Alternatively, expertise might not have been appropriately valued within a company and the individual concerned might have been sidelined in the corporate hierarchy, his understanding of an appropriate regional policy not conforming to that of the organisation he belonged to. In such a case he could go out in the Greek market and sell his expertise to a more willing corporate buyer.

As in the case of the relationship between merchants-distributors and companies based in Greece we would argue that labour mobility is critical in evaluating the character of strategic intent and the nature of decision making of Greek companies in the region. Labour mobility is of course critical to our Diaspora argument. It recognises no barriers between the multinational subsidiary and the Greek-owned family enterprise, the private sector institution and the one where the Greek state exercises control. It speaks of opportunity which is ethnic in origin but not necessarily national in character.

2.3 One Capitalist Diaspora, different networks of practice

In this section we will address three issues, in the context of what has been noted above. Firstly, what drives the formation of a Capitalist Diaspora, essentially a community that makes available market knowledge and entrée to its members? Secondly, the qualitative gradations within the Diaspora generated by the variable capabilities of its members; gradations which give rise to distinct business practices, within the same community, which can differ dramatically in their market impact. Thirdly the evolving networks between firms and individuals through which these advanced practices are enacted and through which an increasingly sophisticated exchange of assets takes place.

What explains the formation of a Greek Capitalist Diaspora in the region in the first place? Primarily proximity, as has often been noted. Petrakos argues that "the role of geography (adjacency and proximity) seems to be a decisive factor affecting the allocation of Greek investment in the region".[21] Proximity however needs to be examined and speculated upon in its specificity and not just be evoked mantra-like. Only such an examination can point the extent to which proximity is an inherently shared asset within a particular population of companies and individuals; an asset which evolves through the activity of its being shared while also affecting the evolution of those who share in it.

Proximity meant, in the early 1990s, that Greek merchants-distributors could rapidly scout opportunities or be informed of them by social or business acquaintances. Thus, very rapidly after the opening up of the Balkan markets, capital cities such as Sofia or Bucharest would host communities of several hundred Greek entrepreneurs. Proximity, physical as well as social, also meant that these merchants-distributors could most easily establish a rapport and operationalise a partnership with Greek-based companies and Greek executives. To do so in

[21] Petrakos G., 'Greece and the Balkans: Geography lost and found' *in The development of the Balkan Region*, ed. by Petrakos G. and Totev S., Ashgate 2000, p.459.

Italy or in Austria, in countries in which they were unknown, with languages that they did not speak, and through lines of transportation that were longer would be entirely non-sensical. There was in other words an intrinsically strong propensity for the merchant-distributors to establish linkages with their co-nationals both on a personal and on a corporate level, both for cultural/linguistic and for geographical reasons.

It was this propensity which resulted in the knowledge of the very early entrants being shared and/or co-generated predominantly with Greek companies. This knowledge, although linked with particular partnerships and business transactions, was not constrained within their parameters. An intense socialisation took place within the Diaspora as its members struggled to apprehend unfamiliar as well as rapidly changing circumstances and to fashion adequate responses. Through this socialisation members of the Diaspora shared their experiences in their attempt to frame the context of their future actions; to assign value, refine and/or disregard their own observations by collating and cross-checking them with those of other members of the Diaspora; to identify key resources and partners for their activities and shun choices and individuals which might be too risky.

Where and how did this socialisation take place? In the daily flights of Olympic Airways, Balkan Air and Tarom. In the border crossings where the Greeks would congregate on Friday afternoons or Monday mornings on their way back to Greece or to one of the countries of the region. In the few restaurants and bars that would cater to the Greek community or to the expatriate community at large in the capital cities of the region. In innumerable social gatherings in Thessaloniki and Athens where the Balkans would become table talk. It would take place through the reference of family or friends or associates as in 'go and see my nephew', 'we went to the same school together, 'I have a very good opinion of him', or 'he has a bad credit record'. By such proximity-induced socialisation the Greeks in the region have managed to constitute a Diaspora community, a group of people brought together both because of ethnic affiliation and of the shared understanding of experience that this affiliation has enabled.

Proximity in other words cannot simply be registered and then disregarded as the ultimate effect, in terms of trade and FDI volumes, of the shortness of distance from A to B. Proximity is who you get to work with from A if you are at B and vice versa; it is who would you tend to talk to and be advised by when you are located in either one of these two points and transacting business with the other. Proximity is what transpires between people when goods and services traverse the distance between these two points.

The process that we describe accords with research on the general issue of how information and experience can be shared in a social context as well as on the particular subject matter of Diaspora communities operating in the transition economies of Central Eastern Europe.

The following analysis, of how Xerox technicians, the ‘reps’, use socialisation to improve their performance, a world apart as it might be perceived to be from the Balkans, is highly resonant. “While it may appear at first that the reps used stories to circulate information, they were actually doing much more. For it is not shared stories or shared information so much as shared interpretation that binds people together…To collaborate around shared information you first have to develop a shared framework of interpretation…Learning to tell their war stories, then, was a critical part of becoming a rep. It allowed newcomers to see the world with a rep’s eyes. *And it allowed all to share in their major resource-their collective, collaborative wisdom* [our italics]”.[22]

Within such a group of people the “talk made the work intelligible, and the work made the talk intelligible…talk without the work, communication without practice is, if not unintelligible, at least unusable. Become a member of a community, engage in its practices and you can acquire and make use of its knowledge and information. Remain an outsider, and these will remain indigestible”.[23]

A survey on Austrian and Danish SMEs active in transition economies similarly notes that in “our sample, almost all respondents indicated personal contacts as a source [to overcome information barriers to business] and three out of four used business connections. Personal and professional networks are essential because key practical knowledge is held by those actually engaged in business. Institutions such as chambers of commerce and embassies can collect and disseminate such information, if at all, only in stylised form”.[24] This difference

---

[22] Brown J.S. and Duguid P., *The Social Life of Information*, Harvard Business School Press, 2000, p.107.

[23] Ibid. pp.126-7.

[24] Meyer K., Tind A. and Jacobsen M.K., *National Internationalization Processes: SME on the way to Eastern Europe*, Working Paper No.37, Centre for East European Studies, Copenhagen Business School, June 2000, p.14.

between formally imparted, 'stylised' information, and the exchange of insight about a common issue and among those who deal with it, is the difference between "*learning about* and *learning to be*…Learning to be requires more than just information. It requires the ability to engage in the practice in question…. Practice, then, both shapes and supports learning".[25]

So the Diaspora community offers to its members better quality and more comprehensive insights and business leads compared to other entities that are, comparatively speaking, isolated. Still within the same Diaspora community different business practices would be enacted depending on (i) the varying depth of knowledge and range of skills of the members of the Diaspora and (ii) on the terrain on which knowledge and skills are being applied.

Diaspora practice predominantly consists, in the first years, of an exporting and distribution activity which has as its imperative the seemingly mundane, but difficult to achieve, movement of goods from the factory gate to the final consumer at minimum cost and with minimum risk. Export managers and merchant-distributors, familiar with customs practices, payment methods, the structure of the retail trade, consumer purchasing power and evolving consumer tastes, populate this terrain. The network which they have formed determines the nature and range of the practices which they have enacted.

But even at that time additional and more sophisticated practices are being put into use creating another network, related to, but eventually superseding the first. This network is comprised of managers and companies which are capable of looking at the market holistically, reviewing the totality of opportunities that it has to offer as well as marshalling the complete range of resources that these opportunities require.

The fast-changing marketplace is, itself, a critical factor in this process. The satiation of the almost indiscriminate consumerism of the first stage gives way to more varied and demanding consumer preferences in the host countries. These preferences in turn demand the employment of increasingly sophisticated marketing practices and the building-up of the appropriate marketing channels. They require, in other words, the kind of investments in systems, people and infrastructure which can only originate from that domain of companies

[25] Brown J.S. and Duguid P., *The Social Life of Information,* Harvard Business School Press, 2000, p.128-9.

and individuals in which superior business practices are undertaken as a matter of course. The greater availability of local assets, to which we will extensively refer in the next chapter, itself a result of a clearer legal framework and accelerated privatisation programmes, acts as an enabling factor for the exercise of these advanced practices.

As Brown and Duguid point out "information does not travel uniformly throughout the network. It travels according to the local topography".[26] The topography itself is shaped by practices. Common practices "allow people to form social networks along which knowledge about that practice can both travel rapidly and be assimilated readily… For the same reason… members of these networks are to some degree divided or separated from people with different practices".[27]

Evolving market needs and market opportunities lead to the pursuit of advanced practices; while the presence of a nucleus of advanced networks acts as an enabling mechanism for the wide ranging implementation of advanced practices. Thus from the mid-1990s onwards the greater availability of investment opportunities in the Balkans together with the evolution of the market environment have brought to the fore partnerships within the Greek Diaspora which go well beyond the initial type, of the Greek merchant-distributor based in Bulgaria or Romania and the exporting company domiciled in Greece. These partnerships involve technically complex transactions such as privatisations, the sophisticated exchange of assets of an increasing value, whether these are countrywide distribution systems or brands and production processes, and the utilisation of third parties such as financial institutions, auditors and legal advisors.

The Balkan partnership between 3E, the Coca-Cola bottler, and Heineken's Greek subsidiary, Athinaiki Zythopoiia, was one of the first high-profile cases that signalled this shift in practices and capabilities, a shift which takes place within the context of the Diaspora community while at the same time affecting the Diaspora's future composition and development. This partnership is a case where information and opportunity reside within the Diasporic realm and not outside it; a case where as the market environment develops so does the action of the Diaspora within it, throwing into sharp relief the varying capabilities of its

[26]Brown J.S. and Duguid P., *The Social Life of Information*, Harvard Business School Press, 2000, p.144.
[27]Ibid. p.141.

members; and last but not least a case where, despite as well as because of the multinational provenance of these two players, their actions end-up strengthening what still is an ethnically defined population of companies and individuals.

As mentioned above 3E was one of the first Greek foreign direct investors in the Balkans. 3E was one of the first foreign companies to invest in Bulgaria in the early 1990s through a string of joint ventures with state-owned Bulgarian companies for the production and distribution of Coca Cola in the Bulgarian market. In 1994, 3E together with Athinaiki Zythopoiia formed a joint venture, Brewinvest, which then proceeded to buy a major Bulgarian brewery, Zagorka.

Essentially 3E transferred to Athiniaki Zythopiia its familiarity with the investment process in Bulgaria as well as its operational capability in distribution and its marketing know-how in Bulgaria. Athninaiki Zythopiia in turn gave to 3E the opportunity to enter in a new product category, beer.

We have to bear in mind that at that time there was simply no other Western operator other than 3E in Bulgaria, from which Athinaiki Zythopiia could choose, to provide such an entrée to the market. We can safely assume that these two companies were intimately familiar with each other's modus operandi through the long years of co-habitation in the same Greek retailing environment. We can also assume that their respective top management teams had been social acquaintances of long standing in the fairly small world that is the Athenian business elite. Such corporate and personal familiarity cannot but have been instrumental in the setting up of the deal, no matter that Athinaiki Zythopoiia is a subsidiary of a Dutch multinational and 3E a partner of Coca-Cola.

Significant benefits accrued to the Greek Diaspora from this partnership. The Diaspora strengthened its local and international credibility by being associated with yet another global brand in Bulgaria, that of Heineken. Furthermore the Diaspora strengthened its valuable human expertise in the Bulgarian market. Greek lawyers, bankers and accountants worked to bring the deal in fruition. Another management team, this time from Athinaiki Zythopoiia, was committed to the Bulgarian market to implement this new venture. In due course personnel working for or collaborating with the two partners cross-pollinated the Diaspora community at large.

The two partners proceeded in the same manner in the case of the FYR Macedonian market, through the joint acquisition of a local brewery. Recently it was announced that, on behalf of Heineken, Athinaiki Zythopoiia has incorporated both Albania and FR Yugoslavia in its zone of responsibility. The company has acquired this leading position in the region by employing Diaspora resources and enjoying Diaspora advantages; while the pursuit of its mission in its enlarged zone of responsibility replenishes and strengthens these same resources and advantages to the benefit of the Diaspora itself and of its evolving membership.

In another much more recent example of corporate partnership, in a Diasporic context, the Greek snacks manufacturer Chipita, decided to market its products in FR Yugoslavia, through the points of sale of Delta, the ice cream manufacturer. Again the early mover advantage of one of the members of the Diaspora, itself a function of proximity, both channels and privileges the choices of another. At the point of writing Delta is one of a very few foreign companies to have established a distribution system in FR Yugoslavia. It is also a very familiar entity to the management of Chipita. Mr Theodoropoulos, founder of Chipita, has been a childhood friend of Mr Daskalopoulos, the Managing Director and main shareholder of Delta. Additionally, in 1992 and on the instigation of Global Finance, an Athens-based venture capital company, Delta acquired 5 % of Chipita and a seat at the Board of the latter. The complimentarities of the regional alliance, between the two companies, have been formalised in an agreement giving Delta the option to participate up to 15 % to any investment in Central and Eastern Europe made by Chipita. Through such an agreement Delta can share in the high growth product category of snacks in which Chipita possesses advanced know-how. Chipita on the other hand can benefit from Delta's familiarity with the administrative regime on the investment process in the Balkans as well as utilise the latter's distribution infrastructure.[28]

Kavex Gleoudis, a tobacco trading company, is another illuminating case of a corporate alliance implemented in a Diaspora context. The company was one of the first to start transacting with Albania, from the mid-1980s onwards. Following the regime change in that country, it was made possible for Kavex Gleoudis to process Albanian tobacco, something that the company proceeded to do by acquiring a plant in the city of Elbasan in 1993. By

---

[28] Based on a telephone interview with Mr Kostas Apostolidis, Vice Chairman of the Board of Chipita.

1995 the company diversified its activities in Albania, through a participation in a distributorship of branded goods. In the meantime the managing director of Kavex Gleoudis formed a partnership with Northern Greece Cannery, a Greek canning concern, where his son in law was employed as a plant manager. Through this partnership Northern Greece Canneries eased its way in the Albanian market. The company set up a canning plant, which became operational in the late 2000, within the premises of the Kavex Gleoudis tobacco-processing factory in Elbasan. Northern Greece Cannery has taken advantage of the considerable experience of Kavex Gleoudis in local conditions, in terms of the local administration and the availability of personnel, in order to initiate operations in Albania. It can also utilise Kavex Gleoudis' part ownership of the distributorship to place its products in the local market. Kavex Gleoudis, in turn, has entered through this partnership with Northern Greece Canneries into another business activity, with a different market cycle than that of tobacco, by leveraging its Albanian-specific expertise.[29]

Alliances such as the one between 3E and Athinaiki Zythopoiia, Delta and Chipita, Kavex and North Greece Canneries, evince the function and centrality of networks which "reinforce the internal learning process [for a company]… interact with corporate strategies, and… add an element of chance to business opportunities…".[30] Such business networks "not only determine the firms' strategic opportunities, but also become an object of strategic activity. Network positions determine the firm's strategic position and the resources it can access. Yet, network positions themselves are generally a result of earlier investments in the network".[31] At the same time networks which evolve within the Diaspora community do not simply have a cumulative effect but a dynamically qualitative one. As they incorporate more sophisticated players and practices they expand both in terms of the range of activities undertaken and the comprehensiveness with which these same activities are being pursued.

---

[29] Based on a telephone interview with Mr Costas Gleoudis, managing director of Kavex Gleoudis.

[30] Meyer K., Tind A. and Jacobsen M.K., *National Internationalization Processes: SME on the way to Eastern Europe*, Working Paper No.37, Centre for East European Studies, Copenhagen Business School, June 2000, pp.6-7.

[31] Ibid. pp.6-7.

3. …a beautiful friendship

3.1 Host countries: Crisis and Opportunity

In this section we will begin by focusing on conditions in the host countries and assess how they have affected Diaspora strategies and positioning.

By the mid-1990s the countries under examination exhibit certain commonalities. They suffer from persistently low growth or even contraction. They attract little FDI as domestic insiders successfully repulse potential investors from abroad. Domestic banks keep afloat insolvent state-owned enterprises while the developing private sector is too small and fragmented to sustain a healthier loan portfolio for the banking sector at large. State revenue collection capabilities are weak and, commensurately, state ability to raise funds in the international money and capital markets is limited. In most cases, and most of the time, when external funding is needed it can only by provided, with strings attached, by the multilateral institutions, the IMF and the World Bank.

FDI in the Balkans and two Central European countries 1989-95	Cumulative FDI-inflows 1989-95 (in millions of US dollars)	Cumulative FDI- inflows 1989-95 per capita (in US dollars)
Albania	200	63
Bulgaria	302	36
FYR Macedonia	38	18
Romania	879	39
Poland	*2,423*	*63*
Hungary	*11,466*	*1,113*

Source: EBRD Transition Report 1996

Privatisation begins to accelerate in the second half of the decade partly reflecting increasing administrative capabilities. Initially privatisation processes involved insiders, who took advantage of preferential Management Employee Buy-out (MEBO) provisions. As the 1996 EBRD Transition Report notes in FYR Macedonia, "as of July 1996 838 of the 1,217 enterprises covered by the law on transformation of social capital… had been privatised, mainly through employee buy-outs".[32] In Romania, by "March 1996, more than 1,500 companies had been privatised primarily through management employee buy-outs"[33] while in Bulgaria "only 6 per cent of total state enterprise assets [were] transferred to the private sector by mid-1996. There was foreign participation in only 14 transactions of significant size…".[34]

However this set of circumstances--an insolvent banking sector, undercapitalised, even if privatised, local firms and weak revenue collection capabilities--progressively weakens the bargaining position of the countries of the region vis-à-vis the multilateral institutions and ultimately foreign capital. Bulgaria becomes a Balkan case study of crisis followed by market opening. The 1997 EBRD Transition Report sums up the sequence of events "Bulgaria's severe economic crisis was fundamentally the result of years in delays in necessary enterprise restructuring, with mounting losses financed by the largely state-owned banking system (amounting to an estimated 15 % of GDP in 1995)… Privatisation of large-scale enterprises is speeding up after years of delays. Only about 5 % of long term assets of state-owned companies have been privatised by August 1996, mostly through direct sales. The share exceeded 25 % by August 1997 and is now likely to rise to 32-35 % by the end of 1997".[35]

Throughout the region in the second half of the decade big-ticket privatizations are being pushed through which involve investors from abroad. In the extreme case of Bulgaria the domestic banking sector is sold-off to foreigners, almost in its entirety, in the space of 2 to 3 years. Developments in Romania are less drastic but there too banks and the state telecom utility were privatised; while the delay in overall reform probably will mean in the end that a crisis, similar in intensity to that of Bulgaria, is inevitable and will generate a similar response. FYR Macedonia does not go through a major systemic crisis, but then again it knows it cannot afford to do so. Suffering from years of isolation imposed from the war in the rest of ex-Yugoslavia and for a while from the Greek embargo, extremely vulnerable

---

[32] European Bank for Reconstruction and Development, *Transition Report 1996,* p.150.

[33] Ibid. p.167.

[34] Ibid. p.142.

[35] European Bank for Reconstruction and Development, *Transition Report 1997*, pp.158-9.

politically, due to its ethnic make up and the surrounding crisis, FYR Macedonia adopts a more pro-active approach. With the help of the multilaterals it undertakes big-ticket privatisations primarily in the banking, telecom and energy sectors in an attempt to improve its fiscal position, safeguard the stability of its banking system and shore up its international alliances. Albania takes similar steps, in the telecomm and banking sectors, following the pyramids crisis and the civil disturbances that it gave rise to. The future of FR Yugoslavia, if we look beyond ethnic strife, points to a classic rendition of this Balkan scenario: accelerated market opening to foreign investors through negotiations, from a position of extreme weakness, with the multilateral institutions.

In comparison, in the cases of Poland and the Czech Republic, a combination of external funding capabilities, a healthier domestic private sector and greater tax efficiency allows the governments of these two countries to retain the option, when they deem politically necessary or desirable, to keep an arms-length relationship with international investors. As an observer of the effect of moderate success in transition notes "paradoxically, the move away from foreign investors is partly a result of the very success of their liberalisation policies…[the Czech government in 1994] ran a budget surplus. As a result, the international investment agencies raised the ratings of the Czech bonds to investment grade (BAA). The Czech government found itself awash with cash, and realised that they might be able to raise investment capital on international markets without relinquishing equity control to foreigners".[36]

Importantly, the limited ability of the Balkan countries to raise capital abroad, combined with the extensiveness of the crises that they have to confront, means that market opening results in foreign capital acquiring, in a short period of time, a significant stake in the economies of the region, significant at least relative to the total size of these economies.

The effect of market opening, through crisis, has actually been in evidence in the Balkans as "somewhat contrary to expectations, FDI inflows to SEE [Balkan] countries are not only as high as the CEEC average, but also relatively evenly distributed across countries. Most SEE

[36]Rutland P., 'The Antinomies of Privatisation in Eastern Europe' in *Restructuring Networks in Post-Socialism*, ed. by Gernot Grabher and David Stark, Oxford University Press, 1997, p.273.

countries receive FDI of around 2% to 3% of GDP [FDI has averaged 3% of GDP in 1996-98 in Central Europe]".[37]

But what are the implications of such a sequence of events for Diaspora capitalism? We must commence, in replying to that question, with the observation that *the extensiveness of the crises in the region and the dramatic and rapid responses that they generate are not incidental events for the Diaspora; rather they are integral to the trajectory of the Diaspora opportunity in the Balkans*. Crises are generated because local markets have failed to effect a set of reforms that would, among other things, have attracted significant international investment interest. The lack of such interest means that the kinds of opportunities that are being presented, once a crisis breaks out, can best be grasped primarily by these entities that already have a position in the market. These entities are, to a significant extent, members of the Diaspora network. Of the total FDI attracted to the region, Greek-related investment accounts for approximately 20 %, reaching by 1999 2.8 billion USD, according to estimates by the Greek Ministry of National Economy.[38]

We can observe this interplay between crisis, market opening and Diaspora positioning when we look more closely at the larger privatisations that have taken place in the region. In banking primary follow-your-client strategies are being transformed into acquisitions of major local financial institutions. The opportunity to effect this transformation was made available in a Diasporic, network context. Because of the intense, albeit mainly trading relationship, which materialised at the very beginning of the transition process, in the early 1990s, Greek banks established banking branches in the capitals of Balkan countries. By the time local banks were put to auction Greek financial institutions had developed the familiarity with the market and the entrée to the governments of the region that enabled them to respond to the privatisation opportunity. In Croatia and Slovenia where the Diaspora presence has been limited and trade volumes are minuscule Greek banks have yet to establish a branch presence and are thus today much less prepared and inclined to take advantage of any acquisition opportunities to the extent that they might arise.

---

[37] Hurst C., Uppenberg K., *Investment Issues in South-Eastern Europe*, Chief Economists Department, European Investment Bank, 2000, p.7.

[38] Ministry of National Economy (Greece), Division of Relations with the countries of East Europe and the Balkans, *Greece & Balkan Countries—the Evolution of Economic and Commercial Relations*, Athens, March 2000, p.5.

Again the role of cross-pollination through personalities, corporate affiliations and relationships should not be underestimated. For instance in the privatisation of the Bulgarian Post Bank, which took place in 1998, the main contenders were two Greek banks, the National Bank of Greece (NBG) and Eurobank. NBG's regional division was led at the time by a Greek executive who had initially gained exposure to the Bulgarian market as the Sofia branch manager of Xios Bank, a Greek bank and the first foreign financial institution to set up shop in Bulgaria. Euro Bank, although not present in Bulgaria at the time, had a significant stake at Global Finance, a venture capital outfit that had previously established an office in Sofia and had invested in several Greek projects in Bulgaria.   EuroBank ended up as the acquirer of Postbank. However two years later when UBB, another Bulgarian Bank was put on the block by its main shareholders, EBRD and the US investment bank Oppenheimer, NBG became the acquirer.

In Romania, another country where its affiliate organisation, Global Finance, had been active, Eurobank bought BancPost. Before this acquisition had taken place one of the top five executives of NBG, who was responsible for the Bank's international network and its regional strategy, and during whose tenure NBG had acquired the Bucharest branch of Chase Manhattan, had joined Euro Bank with an identical portfolio of responsibilities.

In the privatisation of Romtelecom, the Romanian state telecom company, Intracom a supplier of long standing of the Greek state-owned telecom utility, OTE, effectively masterminded OTE's bid. Intracom had been active in Romania several years before Romtelecom's privatisation. The Intracom executive who was involved in OTE's bid is a Greek who was born and raised in Romania. It was Intracom which suggested to OTE that it hire Danubius Securities, at the time probably the best connected local investment house in Romania, as its local advisor for its Romtelecom bid.   Intracom's strategy in the region is a network play with a twist: it consists of utilising its superior access and familiarity with local conditions in order to advance OTE's position in the market and thus extend its privileged supplier relationship with OTE across a number of countries other than Greece.[39]

[39] The author participated in the acquisition of a Romanian brokerage house, at the time Romtelecom's privatisation was taking place, during the course of which he became intimately acquainted with the Bucharest investment banking scene. OTE's relationship with Danubius Securities is a matter of public record.

In these large privatisations, in theory, Greek bidders competed with multinationals much stronger than they were. Typically in privatisations of that size governments are advised by international investment banks which have relationships of long standing with global leaders in the relevant sectors and, through these relationships, can market what is being sold. It is equally true that global leaders, such as Deutsche Telecom or BT in telecommunications, HSBC and Citibank in banking, have the resources to evaluate what is on offer and to manage it, if they proceed with an acquisition. However they might have been indifferent because of the relative small size and poor transition record of the countries in question and, despite their size and sophistication, engaged in much more promising projects in more prosperous and easier to work-in countries. Previous experience with the countries of the region might have been lacking and very probably these potential transactions would not have attracted the attention of key personnel. Thus we have to place these transactions in the context of an overall active market in corporate assets, which would have requested the attention of precious management resources, in places such Poland, Hungary and the Czech Republic and in other countries in Asia and Latin America.

In contrast Greek companies would have enjoyed extended familiarity with the region. Key personnel might have been already been engaged in the relevant country. Additionally Greek companies, aware that they had neither the resources nor the expertise to compete outside the region would both focus their attention in acquisition opportunities in the Balkans and be willing to pay a premium as acquirers in order to complete their regional expansion strategy.

In other words the relative indifference of the international investor in the Balkans as well as the active involvement of that same investor in Central European markets combined with the limitations of Greek management, translated into a Greek focus and a leading position in the Balkans. Limitations in that sense can have an inverse relationship with familiarity and knowledge, in that they compel particular choices which in turn create competitive advantages in the setting in which these choices are enacted. Limitations shape the Diasporic network, with its regionally committed population of entrepreneurs, executives and companies, and the network confers its unique advantages, in terms of superior knowledge and entrée, to its members.

Turning our attention to the MEBO's that have taken place in the region, what is their relationship with Diaspora capitalism?

The observation has been made that MEBO owners are to a significant degree “people who set up their own businesses… because they had a unique chance to privatise under advantageous conditions. As their industry recovers they will once more return to being employees”.[40] MEBO owners would tend to evolve, willy-nilly, into asset players. They have an inherent motive, due to their lack of skills and capital, to realise the value of their assets through a sale to a strategic investor and realise their capital gains.

We can also assume that companies with worthwhile assets would have had, in all probability, already developed a relationship with a Western partner, which would possibly also entail the provision of working capital. The implications of such a relationship are that the Western counter-party is intimately familiar with the value of the company’s assets and has also gained confidence of the company’s stakeholders, and now shareholders.

The following story exemplifies this process. It involves the acquisition by a Greek businessman of Mermeren Kombinat, a FYR Macedonia marble quarry, a small transaction of approximately 15 million USD. “Ilias Kyriakides [the owner of the Greek company]…had to travel more than 50 times in Skopje [to conclude the transaction]… ‘I visited for the first time the quarry Mermeren Kombinat in 1994 as a customer. Since then I would go myself once a month to buy marble. Thus I had the opportunity to get to know the company’s management… ’. The shareholders of the company were its employees and their insurance fund. In 1999 Kyriakides agrees with the insurance fund and buys 9 % of the shares. Additionally he agrees with the people who run the company to buy a majority share of 51 %…”.[41] This is a company which was first established in 1992 but which by 1998 had launched its IPO in the Athens Stock Exchange, an event which “would prove critical for its next steps”.[42]

---

[40] Benacek V., ‘Private Entrerpreneurship and Small Businesses in the Transformation of the Czech Republi’, in *Restructuring Networks in Post-Socialism*, ed. by Gernot Grabher and David Stark, Oxford University Press, 1997, p.228.

[41] Ioannou C., ‘We succeeded after six years of negotiations’, *Kyriakatiki Eleftherotypia*, 17th December 2000, p.14.

[42] Ibid. p.14.

We do not know all the details of that transaction but we can draw some of the implications. What the Greek party brings to the table is export markets for the quarry and financing for its operations from the Greek money and capital markets. It also offers the opportunity to the shareholders-employees of the quarry to realise, for all we know, a substantial capital gain as opposed to sitting on an under-financed, under-managed asset. Kyriakides' competitive advantage versus other foreign acquirers is proximity which has allowed him to build a close relationship both in operating and in personal terms (the drive to Skopje, in one of those 50 visits, would not have taken more than two hours). We also do not know whether he availed himself of Diasporic resources, of knowledge residing within the Diaspora, or whether he had accumulated them himself during his extensive interaction with his FYR Macedonia counter party; resources such as effective legal representation and access to government officials. Even if he did not however, we can safely assume that they were available in Skopjie, and in the Thessaloniki business community, from the mid-1990s onwards.

An interesting question that arises with the essentially parallel development of MEBO privatisations in the Balkans and the acquisitions of large commercial banks by Greek financial institutions in the region is what impact, if any, will this have on the opportunity set of the Diaspora at large. As an EBRD paper which evaluates the role of reformed banks in enterprise restructuring points out, banks in transition economies "are more likely than anybody else, except the managers, to have access to inside information about the firms potential through their existing credit relations…[and] it is much easier to structure their incentives towards fast restructuring and privatisation instead of towards delay and obstruction than it is to do so for government agencies".[43] Additionally, the "Holy Grail of all enterprise restructuring in Eastern Europe is securing a foreign equity stake accompanied by a capital infusion… the strong position of the main creditor bank allows the creation of almost any capital structure desired, so that these [bank-led reconciliation] proceedings form a very good framework for negotiating outside participation".[44]

---

[43]van Wijnbergen S., *Bank Restructuring and enterprise reform,* EBRD Working Paper No 29, February 1998, p.5.

[44]Ibid. p.9.

Indeed it is very possible that the Greek banks acquisition spree in the region[45] constitutes a new, critical resource for Diaspora capitalism in the context of an essentially liberalised, because of the MEBO's that have taken place, market in corporate assets. These MEBO firms are clients of Greek-owned commercial banks; they experience substantial difficulties because they have been starved of resources over an extended period of time and because of thin and uneven managerial resources; and the foreign investors which can commit to a partnership with them are more often than not Greek companies and clients of long standing with the Greek financial institutions which now own the local banks with which the MEBO's have been banking.

All these three parties have a strong incentive to seek each other out. The banks can both differentiate themselves in an extremely competitive corporate banking market in Greece and improve the quality and profitability of their newly acquired regional loan portfolios. The MEBO firms can use their local banking relationship to assist their capital gains strategy. The Greek companies, through their bank relationships, can lessen search and due diligence costs in the region. A recent survey on FYR Macedonia points to a version of that set of motives when it quotes the managing director of Kreditna Banka, which has been acquired by Alpha Bank of Greece, saying that Kreditna "is making an aggressive pitch for new clients, using its connections to Alpha to match Macedonian companies with Greek partners".[46]

3.2 Opportunity? What opportunity?

In the preceding section we attempted to trace the evolution of the opportunity of the Diaspora in the context of its interaction with the particular transition environment it finds itself in, and of the interaction that takes place within itself and among its members. In this section we will seek to examine in greater detail what this opportunity can be said to consist of, again taking into account the prevailing transition environment.

---

[45] Greek financial institutions have acquired 8 foreign banks from 1988 to the first half of 2001, most of them in the Balkans. The Greek acquirers held, in 1999, according to an Alpha Bank report, 41 % of the total assets of the Greek banking system. In essence it is a rare Greek company, of any consequence, whose home bank has not expanded in the Balkans.

[46] Hope K., 'Investments spark new confidence', Survey of Macedonia, *Financial Times*, February 19, 2001, p.12.

As the EBRD 1995 Transition Report points out "the combination of economic stagnation, very large capital stocks and waste meant that even the high investment ratios [of the centrally planned economies] could not prevent a lengthening of the average age of the capital stocks in the later years of central planning. At reunification [of GDR with the Federal Republic of Germany] for instance this had reached 18 years in East Germany…".[47] Thus "according to estimates… between 50 per cent and two thirds of the capital stock became subject to write-off under West German accounting rules…[while there have been estimates] that between 50 and 75 per cent of the pre-transition stock in the former Czechoslovakia, Hungary and Poland should be written off".[48]

The situation was even more dire in the Balkans. Romania's enterprises, for instance, had been almost completely starved of capital investment during the 1980s as the Ceausescu regime embarked on a relentless quest to repay the country's foreign debt in its entirety. In Bulgaria the effort to renew the country's capital stock had been stopped by the mid-1980s. In Albania the situation has been incomparably worse due to the country's almost complete isolation for almost forty years. In FR Yugoslavia, which is only now opening itself up to foreign investors, there has been no substantive investment activity of any kind for the last ten years, due to the embargo regime and the almost continuous political upheaval.

So we have to address the question: what have the Greeks been buying and has it been worth anything at all? Or in other words might the early entry advantage secured by the Diaspora not account to much, precisely because it provided access to assets which had grown, even by the early 1990s, completely obsolete? The reply to this issue is the concept of the brownfield investment. A brownfield investment is an "acquisition [that] may yield a local brand name or market share, and perhaps valuable supply and consumer relations, but the production processes and organisational structures are effectively reconstituted from scratch".[49] Such an acquisition can reduce "transaction costs as the local firm not only controls key assets but is embedded in local networks and labor markets".[50]

---

[47] European Bank for Reconstruction and Development, *Transition Report 1997*, p.77.

[48] Ibid. p.80.

[49] Meyer K., Estrin S., *Entry Mode Choice in Emerging Markets: Greenfield, Acquisition, and Brownfield*, Working Paper No18, Centre for East European Studies, Copenhagen Business School, February 1998, p.3.

[50] Ibid. p.14.

Such transaction-cost considerations are particularly pre-eminent in the food, beverages and tobacco sectors where Greek investors have been active. Technology in these sectors might well be obsolete but technical personnel can absorb relatively easily new capital equipment and production methods. Crucially during the 1990s agriculture and animal husbandry has been in deep crisis in the region due to the demise of the collective farms, the absence of specialised credit and the on-going restitution processes. Under such conditions of systemic upheaval access to essential and often scarce material inputs is eased by those investors who, by acquiring existing plants, inherit local networks which enjoy privileged links with primary materials producers. In a recent Financial Times survey on Greece some of these issues are hinted at through the case study of DELTA. The company, "Greece's biggest food processor, invested in Serbia through a joint venture with two local companies-Napredek and Mabar-that hold a 12 per cent stake, and provided the land for the ice-cream plant. 'Basically, our partners are an agricultural cooperative and Delta became part of the local community…' Mr Daskalopoulos [the chief executive of DELTA] says".[51]

In tobacco processing Kavex Gleoudis in Albania and Michaelides Tobacco in Albania and FYR Macedonia are classic cases of brownfield investments whereby the acquisition of outdated processing plants translates into access to the commodity resource that these plants are processing. In the case of Albania, for instance, tobacco processing was done by and large by hand before 1989, so the Greek investors acquired access to physical plant, expert labour and links to tobacco growers but had to initiate the mechanisation process as opposed to just up-grading it.

Athinaiki Zyhtopoiia's alliance with 3E, which resulted in the acquisition of the Zagorka beer brand in Bulgaria, is another classic brownfield investment. In addition to access to bottling and brewing expertise the alliance acquired valuable local brands which allowed it to widen the appeal of its product portfolio. In this alliance another party must also be included: YULA, a glass manufacturer with which 3E has enjoyed a close relationship in Greece and which acquired one of the two main glass manufactures in Bulgaria thus securing for its partner reliable supplies of an essential input, namely glass bottles.

---

[51] Hope K., 'Profile: Delta Dairy-Slowly, slowly path to profit', Survey on Greece, *Financial Times*, December 13, 2000, p.v.

A second category is that of a primarily resource seeking strategy where early entry, of the brownfield variety, has been crucial, as in the case of the extraction sectors an example of which we already mentioned above, the Kyriakides marble enterprise. Greek companies have also been active acquisition-wise in the cement sector and in metals extraction and processing, the classic examples being the Balkan acquisitions by the Greek companies Titan (cement) and Mytilinaios (metals processing and trading). In this case brownfield early entry simply provides a concessionary right to exploit a resource.

What about banking and telecomm acquisitions? These are also brownfields in that they confer critical resources—concessions, technical expertise, a retail network, existing relationships—which must nonetheless be subjected to extensive re-modification and investment whether that has to do with the replacement of IT systems, the extensive retraining of personnel, or the refurbishment of premises.

Particularly in banking the fact that Greek institutions have a weak corporate culture either due to the recent wave of consolidation that has taken place in Greece or due to their state-owned origins, is both an advantage and a disadvantage. A firm with a weaker corporate culture is not compelled to pursue a time-consuming and possibly highly expensive greenfield strategy and can be more opportunistic in its acquisition of available assets. In contrast, brownfields are inherently unappealing for those companies "whose core competences are build on a unique corporate culture…[such firms] face greater challenges in integrating acquired firms. Greenfield entry is therefore also preferred by firms with product-specific or industry-specific core competences that are best exploited by an integrated organizational structure".[52] An institution such as Citibank, for example, which markets a global brand through its banking services, and as such wants to achieve a certain consistency of service and presentation world-wide, has a narrower field of choice in acquisitions. The problem is that a lack of a particular culture and mode of operation is also a cause and indication of weak operational capabilities; while successfully turning around a brownfield acquisition in banking, or in telecomms for that matter, is an inherently management-intensive exercise.

[52]Meyer K., Estrin S., *Entry Mode Choice in Emerging Markets: Greenfield, Acquisition, and Brownfield*, Working Paper No18, Centre for East European Studies, Copenhagen Business School, February 1998, p.15-6.

If the initial set of opportunities had been, primarily, of the brownfield variety they must not be seen from a static and isolated perspective but in a context which is essentially dynamic and which is shaped by Diaspora linkages. One brownfield might lead and/or contribute to another brownfield: 3E and Athinaiki Zythpoiia bring with them YULA (glass bottling, brownfield). Sometimes because of the diversified assets of previously state-owned enterprises, a brown field acquisition brings with it an opportunity in a related sector. For instance by acquiring the Romanian subsidiary of the Greek Agioi Georgiou Flour Mills, Loulis Flour Mills also inherited a chain of bakeries in Bucharest which is now being transformed into a much more lucrative branded grocery shops chain. Loulis Flour Mills is adding to this chain by acquiring additional properties.

The banks and the telcoms (brownfields) carry in their wake a whole new set of players, of Greek origin, primarily in the services and construction sectors: architect and engineering partnerships, office material suppliers, software houses, retailers and wholesalers of telecom equipment.

A typical case is the partnership between Ethnodata, National Bank of Greece's (NBG) IT subsidiary and Informer, a Greek software house. Informer has the Balkan franchise for Globus, a software system for small to medium sized financial institutions designed by Temenos, a Swiss IT concern. Globus was adopted initially for the branches that NBG established in the Balkans. Following NBG's acquisitions of United Bulgarian Bank in Bulgaria and Stopanska Banka in FYR Macedonia the decision was taken to upgrade the IT infrastructure of these two institutions by installing Globus. In the course of this evolving partnership Ethnodata took a 5% participation in Informer while Informer participated in the share capital of two small IT subsidiaries that Ethnodata established in Bulgaria and FYR Macedonia. Ethnodata intends to utilise its FYR Macedonia and Bulgarian personnel on Greek and other non-Balkan IT projects so as to take advantage of its newly founded access to IT human resources in the region. It will also seek to sell IT services to Greek companies established in the Balkans. Ethnodata's cross participation with Informer strengthens a relationship with a critical partner in the context of NBG's regional expansion while also being an investment in what might turn out to be a dynamically growing IT regional house. From a Diaspora perspective such an alliance familiarises Greek IT executives with the potential of the regional IT markets both in terms of the availability in the Balkans of well-trained IT personnel and of the growing IT needs of regional entities whether these are corporates or governmental organisations.

Spillovers such as the one described above occur more or less unintentionally in a sense that they do not reflect a consistent corporate policy but rather are the outcome of an organic, network reality. NBG, as a matter of course, purchased for its Balkan subsidiaries IBM mainframes from IBM's Vienna subsidiary, as IBM uses Vienna to service its mainframe clients in the region. On the other hand one of the very first installations of the Globus package in the Balkans was at the Sofia Branch of Xios Bank. Xios Bank, it would be remembered, is a Greek institution while its Sofia branch was the first foreign banking branch to operate in Bulgaria. Thus Informer's Balkan franchise of Globus is not a pure coincidence. It reflects the orientation of its Greek client base as well as its own proximity advantage. At the same time Ethnodata's partnership with Informer is surely smoothed over by the fact that these two entities are headquartered in Athens, and their IT professionals form part of the same Athenian IT community.[53]

There are also strong indications that consolidation in the region, involving either green field or brownfield assets, will take place partly within the Greek Diaspora. The reason will be the same as with the MEBOs: the presence of a class of investors familiar with the region, committed to its prospects and ready to pick up any valuable assets. Potential Greek acquirers come very close to enjoying a right of first refusal bearing in mind that prospective sellers, who are also members of the Greek Diaspora, would tend to seek buyers within the Diaspora network. Typically these assets are of small to medium size and it is thus too costly and inefficient for them to be marketed internationally. The Greek sellers of these assets might not have the range of contacts to approach non-Greek potential acquirers. And the prospective Greek acquirer would be able to respond in a speedy manner to an acquisition of another Greek competitor due to his familiarity with the company and the market.

Two transactions that bring to the fore this set of factors are the acquisition by Anedoulakis S.A. of Promelka's Albanian apparel firm and the acquisition by Chipita of the Best Foods Romanian snacks manufacturer. The Managing Director and main shareholder of Promelka

[53] This passage is based on a telephone interview with Mr Lyssandrou, Chief Information Officer of the NBG Group.

gave the advisory mandate for the sell-off of his company to ETEVA, a Greek investment bank. The ETEVA executive who executed this mandate was a social acquaintance of long standing of the managing director of Promelka . Promelka and ETEVA directed their efforts primarily within the Greek business community. The eventual acquirer, Anedoulakis S.A., has been supplying Promelka with material inputs for a number of years and is itself engaged in apparel manufacturing. The transaction was concluded in 1999 for the amount of approximately 3 million USD.[54] Chipita on the other hand, in the case Best Foods, acquired its main Romania competitor and thus achieved an 80 % market share in that country. Intimately acquainted with Best Foods, Chipita acted as an informed and decisive acquirer. The transaction, which would have been of a small size by international standards, was concluded in 2001. The small size of Best Foods, the still lacklustre status of the Romania market for international investors and the leading position in this market of Chipita meant that other potential international acquirers would have been either difficult to approach or, had they been so, they would have been deterred from acting.

Essentially any position in the marketplace tends to be leveraged across the Diasporic network. Because of the inherent features of the transition process most of these positions are of the brownfield variety. By looking at the features of the brownfield we are in a position to trace the chain reaction of opportunities and network effects that it generates for Diaspora capitalism. The concept of the brownfield becomes a critical one for two, interdependent, reasons. It is an evaluative mechanism through which we can assess the decision making of Greek investors in the region particularly from the point of view of early entry. The brownfield concept allows us to assess the nature and value of the opportunity which has been grasped. And it is a point of departure from which we can delineate the dynamic of Diaspora capitalism itself. In that context it seems that the Diaspora, through its early entry and the leveraging of that entry through primarily brownfield acquisitions, has achieved the following:

- The build-up of defensible positions, particularly in mass consumption sectors, through the acquisition of local brands, scarce local expertise and privileged access to critical material inputs.

[54] Based on a telephone interview with George Momferratos. Mr Momferratos is the ETEVA executive mentioned in this passage.

- The acquisition of valuable concessions or of concession-like advantages in commodity products such as metals, cement and tobacco for which there is both local and global demand.
- The acquisition of a mixture of concession rights, expertise and retail networks in banking and telecomms, a package that, however, carries with it a formidable managerial challenge.
- The activation of a comprehensive set of backward linkages as entities of Greek origin participate in the intense effort of Greek acquirers to modernise their brown field acquisitions.

The following table gives an indication of the impact of these achievements, primarily in the Balkans, in terms of the overall operations of some of the most important members of the Greek Diaspora that we have mentioned. In general we can say that the investment activity so far undertaken in the Balkans, while often enough of material importance, has not dramatically increased the risk profile of the larger Greek companies that have undertaken it, nor has it put an intolerable strain on their balance sheets (this is particularly evident in the banking sector).

8 Greek companies active in Central Eastern Europe (CEE) and the Former Soviet Union (FSU)	Cumulative FDI in CEE and FSU in millions of USD (1990-2000)	Percentage share of this cumulative FDI in terms of company's total assets in FY 2000	Contribution to profitability in percentage terms of operations in CEE and FSU in FY 2000	Contribution to total turnover in percentage terms of operations in CEE and FSU in FY 2000	Market capitalisation in millions of USD as of May 8th 2001
NBG (banking)	305.0	0.6%	NA	NA	9,598
Alpha (banking)	86.0	0.3%	NA	NA	5,502
OTE (telecomms)	1,638.0	15.9%	4.1%	2.8%	7,593
Intracom (technology)	29.0	6.0%	14.0%	17.6%	2,072
Titan (cement)	21.0	2.2%	6.4%	10.3%	1,712
Delta (food sector)	85.0	12.0%	NA	11.0%	221

Chipita (food sector)	30.0	13.0%	37.0%	22.0%	244
Notos Com (retailer)	1.3	0.7%	1.7%	1.0%	117

Source: National Securities Co

In short Greek companies seem to be, by and large, capable of retaining their positioning in the Balkan markets, despite the economic contraction from which the region suffers, and of leveraging this positioning with the help of additional capital if the situation warrants it. In the following section, by looking at retail activities and the alignment of members of the Diaspora with MNCs, we will seek to refine this concern by asking not only whether members of the Diaspora can withstand adversity in the Balkans but also whether they can prosper in the process.

3.3.The Diaspora and Multinational Corporations

In our examination of the relationship between the Diaspora and multinational corporations (MNCs) we will consider three interrelated issues: (i) the need for cost containment in the markets of the region, (ii) the ability of the Diaspora to combine host- with home-country assets in a single package that can deliver above par performance in a regional setting, and (iii) the diseconomies of scale that can obtain in the global strategies even for the most managerially competent MNCs. We will concentrate in this section in the retailing sector. We will also speculate on whether the sustainable ability of the Diaspora to ally itself with MNCs, in the implementation of joint retailing strategies, will not lead the Diaspora in due course to a pre-eminent position in the related activity of real estate development.

The single most important feature of the emerging markets of the Balkans is the low per capita income and the resulting limited purchasing power of the consumer in the region. Ten years have elapsed since the start of the transition process and the Balkan countries still have lower middle income status, on the basis of the World Bank classificatory system.

GNP per capita in the Balkans: Some international comparisons	GNP per Capita in USD (1998)
Albania	810
Bulgaria	1,230
FYR Macedonia	1,290
FR Yugoslavia	1,260
Romania	1,390
Peru	*2,460*
Philippines	*1,050*
China	*750*
Poland	*3,900*
Greece	*11,650*
Germany	*25,850*

Source: World Bank, World Development Report 2000. In the case of FR Yugoslavia we quote a median-range estimate of its GDP per capita for 1999 to be found in Habib M., *Yugoslavia 2000:The FR Economy one year after the Kosovo War*, Centre for New and Emerging Markets, Discussion Paper No 10, London Business School, 2000

If the countries of the region double their per capita income to $ 3,000 per year by 2010, twenty years after transition had commenced, an optimistic prediction, they would still have only reached the upper level of their present income status. Research on the matter, on the basis of simulating a 2% per annum growth above the EU average for the next two decades, has reached the conclusion that *half the population of the Balkan countries would still be living below the EU poverty standard twenty years from now* (that standard amounting to half the EU average per capita consumption level).[55]

By implication we can assert, that in the Balkan markets, as in "most emerging markets, the mass market will remain poor beyond the current planning horizons of most multinationals".[56] Still the Balkan consumer, has fast evolving and increasingly sophisticated needs very much like other emerging market consumers. Indeed, "given rapid information

[55] Piachaud D., 'Poor Relations', *The Guardian*, December 1, 2000.

[56] Dawar N. and Chattopaddhyay A., *Rethinking Marketing Programs for Emerging Markets*, Working Paper No320, William Davidson Institute, June 2000, p.3.

flows through telecommunications, the Internet, and overseas travel… consumers in emerging markets see no need to use products that are now mature and obsolete in the developed world…consumers are constrained only by their financial resources not by their lack of familiarity or sophistication”.[57]

The combination of these two factors, low purchasing power and demanding consumer tastes, makes it essential that attractive retailing concepts and efficient distribution systems are put in place so that consumer needs in the region are satisfied at minimum cost.

This has been the challenge of most MNCs in emerging markets, the Balkans being no exception. Under such a set of circumstances “smart MNCs, as a consequence [of the fact that prices of western-branded goods still tend to be much higher than the mass market level], are performing ‘value engineering’ exercises trying to squeeze out all costs… in an attempt to ‘set-costs-based-on-price’ rather than ‘price-up-from-cost”.[58] In the context of such value engineering exercises **“**all kinds of costs need to be cut, including distribution and overhead”.[59]

The Diaspora becomes a partner of MNCs because it is best suited to effect such a value engineering strategy. Greek management is more skilled because of the experience that has been accumulated in a Diasporic context. The greater depth in region-specific skills means that the associated transaction costs are much lower. Retail outlets are more easily found, often at a lower price, relationships with local authorities are smoother and less time consuming than they otherwise might have been, familiarity with local media and their impact is that much greater. Crucially the use of local expertise is also more efficient. Labour markets ten years after the transition are still thin so the cultivation of a relationship with local expertise remains a crucial factor. Relationships with local lawyers, architects, construction companies and sales personnel have been tested again and again in a Diasporic context and have become predictable in their desired outcomes.

---

[57] Arnold D.and Quelch J., *New Strategies in Emerging Markets*, Sloan Management Review, Fall 1998, p.16.

[58] Batra R., *Marketing Issues and Challenges in Transitional Economies*, Working paper No 12, The William Davidson Institute, The University of Michigan Business School, October 1996, pp.16-7.

[59] Ibid. p.25.

The ability to combine this local expertise with the greater set of skills and services available in the home market is an additional factor that has to be taken into consideration. Experience after a while allows for an optimal, even if continuously evolving, mix between host and home resources. For instance, in a renovation project in Romania the ability to know the appropriate mix and match, in designing and construction skills, between the Bucharest construction crew and Athens based specialists and technicians can achieve two critical goals. It can deliver a satisfactory rendition of the desired retailing concept (which will bring in sales) and it can do so at the appropriate cost (which will safeguard profitability). This ability is also a function of previous experience, as home country specialists know the abilities and limitations of their local counterparts.

An intriguing question is whether the lower cost base of the home market, Greece, compared to that of other developed market economies, has been integral, through a process of dynamic interplay, with the ability of the Diaspora to drive down transaction costs in the region. In other words are the lower management costs associated with the implementation of a regional retailing strategy (i.e. expatriate costs, headquarter costs, and costs of other home country specialists residing outside the company) a significant factor in the ability of Greek companies to implement retailing strategies in the region (either on their own or through strategic alliances with MNCs)? And if so, does the implementation of these strategies, to the extent that they might be said to be driven by the home country cost-advantage, by contributing to the accumulation of region-specific Diaspora expertise, strengthen even more the ability of the Diaspora to limit transaction costs in the region?

The Diaspora advantages that we have mentioned often point to the converse lack of resources and knowledge of an MNC operating or wishing to operate in the region. Lack of country-specific, internalised knowledge can nullify the advantages of MNCs in any market environment, let alone in an emerging market environment. An MNC is unfamiliar with the use of local resources or has a very fragmented understanding of their availability or lack thereof. An MNC is much less able to locate prime sites for its retail network and even when it does so, it might be at a prohibitive cost. Furthermore even within its ranks capable and highly adaptive executives might not be an inexhaustible resource. For them to be committed to the region would entail a possibly excessive outlay in terms of the possibilities of the regional markets in addition to the opportunity cost of their not being available for more promising marketplaces. And yet despite these challenges and limitations, MNCs, in order to be effective in an emerging market setting such as that of the Balkan region, still have, somehow, to "reconfigure their resource base, rethink their cost structure, redesign their product development process and challenge their assumptions about the cultural mix of their top managers".[60]

For an MNC to achieve all of the above on its own, to internalise essentially regional and local expertise and regional and local entrepreneurship on a global scale, it is often impossible. In that respect diseconomies of scale are an ever-present danger for even the most-well run MNC. They are a danger even in the execution of retailing strategies in mature markets as the "very changes that are needed to satisfy [country specific] consumer preferences may hamper an entrant's efforts to leverage its global sourcing scale and stay competitive on cost with local retailers… Market differences... mean that a retail profit formula can get distorted overseas in all kinds of ways, to the point where it no longer resembles the original domestic formula…As a result of these distortions international value creation is difficult to achieve and even more difficult to sustain".[61]

It should at the end not surprise us that MNCs have chosen to enter the Balkans through their Greek subsidiaries and partners, and particularly so in the field of retailing activities. By so doing they avail themselves of the cost advantages and the related cost containment expertise which are integral to Diaspora activity in the region. They source scarce entrepreneurship and risk appetite, of a regional velocity, within the context of a structured relationship. The main features of the Balkan markets, small, with low purchasing power, with a weak infrastructure and inefficient civil administration, enhance the attractiveness of the Diasporic partner for the MNC. But even in a more stable environment the skills and aptitudes residing within the Diaspora would have been attractive to MNCs striving to execute global strategies while maintaining the adaptability which is continuously threatened by the scale and range of operations that these same strategies require.

Such partnerships - between members of the Diaspora and MNC' s - can be enduring. The question of how one combines cost containment with quality retailing concepts will continue to be highly relevant in the region and will be effectively addressed by members of the Greek

---

[60] Prahalad C.K., Lieberthal K., 'The end of corporate imperialism', *Harvard Business Review*, July August 1998, p.79.

Diaspora. They also have the inherent capacity to generate significant and positive spillovers for Diaspora capitalism. Indeed, the proliferation of retail-driven alliances between members of the Diaspora and MNCs points to the distinct possibility that the Diaspora will assume a leading position in the major real estate markets of the region, in the national and regional capitals of the Balkan countries.

Some prominent Greek retailers in the Balkans	Selected multinational partners/ affiliated brands	Balkan countries in which partnership is operative and brands are being distributed	Company has used Greek construction company for the set-up of its logistics/retail network	Company has invested in real estate beyond needs of own operations
Elgeka	Chupa Chups, McVities	Romania	No	No
Fourlis & Kotsovolos	General Electric, Samsung	Bulgaria, Romania	Yes	Incidentally (the company has let surplus space)
Germanos	Nokia, Siemens, Ericsson	Bulgaria, Romania	Yes	No
Notos Com	Lacoste, Chanel, Christian Dior	Bulgaria, Romania	Yes	Yes
Sarantis	Estee Lauder	Bulgaria, Romania	Yes	No

Source: Telephone interviews and correspondence with company representatives and partners, March 2001

The establishment, continuous expansion and management of retail networks means that Diaspora members will remain attuned to the evolving value of real estate in the region; and will, if anything, be even better positioned in the medium term future, to capture that value through real estate development projects. As with Greek financial institutions, Greek construction companies have established a market foothold through an essentially client-driven strategy, their clients being the Greek retailers who assigned to them the renovation of their premises. They are positioned to leverage that familiarity into an investment of their own in the market. In turn, retailers are acquiring superior knowledge on regional real estate

[61] Barth K., Karch N., McLaughlin K., Smith Shi C., ‘Global retailing: Tempting trouble?’, *The McKinsey Quarterly*, No1, 1996, p.118-9.

assets through their primary activity and are well positioned to turn their knowledge into an investment which will go well beyond the needs of their retailing activities should they deem it desirable. As the table above indicates Greek retailers allied with MNCs in the region work by and large with Greek construction companies while they also, on occasion, invest in real estate assets.

5. Conclusion

We have argued in this paper that an understanding of the Diaspora network, of its birth and evolution, is critical in order to evaluate the activity of Greek companies and entrepreneurs in the Balkans.

Greek export performance in the region simply cannot be comprehended in the absence of such a network. Nor can the presence of Greek entrepreneurs in the region be adequately grasped outside the context of trading linkages with companies based in Greece. Greek exports in the region are closely correlated with the building up of a marketing infrastructure, where none previously existed, an infrastructure of substantially Greek provenance. Likewise the internationalisation processes that have been undergone by Greek companies in the region have to be examined though the prism of this linkage. To what an extent have independent Greek merchants-distributors affected the decision making of Greek based companies in the region? How have they contributed to the formulation and implementation of a regional strategy? We have suggested in this paper, even if circumstantially, and on the basis of fragmentary empirical evidence, answers to these questions. Extensive field research, in this direction, could provide more definitive and refined conclusions.

Labour mobility among Greek middle, upper-level executives and within Greek companies has also performed, we believe, a vital function particularly in Greek FDI in the region. Such mobility has carried with it region- and internationalisation-specific expertise which has both informed and expanded the capacity for action of Greek companies interested in the region. These executives were a numerical minority in the early 1990s, compared to the merchants-distributors, due to the very small number of large companies which had made an internationalisation effort in the early, tumultuous years of transition in the Balkans. We think, however, that they had a much greater impact than their small numbers would suggest due to their greater sophistication and the more comprehensive familiarity that they acquired, of the host countries, because of the superior mode of operation of their employers. As in the case of the merchant-distributors we think that the impact of this cadre of executives, a cadre which is gradually expanding throughout the decade, is both a researchable question and a critical one for scholarship on Greek FDI in the transition countries of the Balkans.

Corporate partnerships, whereby first stage entrants share their expertise with second stage entrants within an expanding Diaspora population, also feature prominently in our thinking as we believe that they demonstrate the inherent tendency both to leverage an early position in a transition environment and to do so with familiar and similarly committed (i.e. Greek) entities. In that respect we have no compunction in assigning an ethnic identity to subsidiaries and partners of such classic multinationals as Coca Cola and Heineken; and we would still call Delta and Chipita card-carrying members of the Greek Diaspora even if they were to be bought tomorrow by the French Danone or the US Pepsico to which they are respectively related, at the time of writing.

Whether we look at entrepreneurs, career executives, Greek owned companies or MNC subsidiaries active in the region we recognise the importance of proximity. But we always view this proximity through the prism of the Diaspora population of firms and individuals. It is a proximity to the country of origin, Greece, and it is a proximity which is experienced between those who have it in common. Proximity in that sense belongs to everyone but is also shared, and shaped in its effects, by all. That is why we assert that research on the topic must enhance its specificity and follow tracks similar to those pursued by analysts of the pre-eminent position of the Chinese in the economies of South East Asia, or of the Austrians in Central Europe and the Scandinavians in the Baltics (and of course the Germans all over Central and Eastern Europe, although we do realise the extra delicacy of explicitly analysing any sort of preponderance in the context of ethnicity in the German case).

Only through such an attempt at specificity in our examination of proximity can we begin to evaluate how knowledge is shared and internalised within the Diaspora membership, how it affects the quality and purview of corporate decision making; and how assets, either acquired or built up in the region, drive partnerships among the Diaspora further expanding the ambit of its members.

Whether we are examining how the Diaspora has filled the gaps, as in the building up of a marketing infrastructure, or the grasping of opportunities, as in the acquisition of key assets, we are always evaluating the dynamic conditions obtaining in the fluid transition environment of the Balkans. In that respect the shortcomings of the transition process in the region have, or might have in the near future, two interdependent effects. They have discouraged significant FDI from taking place for a number of years while eventually giving rise to major systemic crises which have forced market opening from a position of, often extreme, weakness. This post crisis environment has not excited the international investor, whose attention has been engaged by more promising opportunities elsewhere. Not so the members of the Greek Diaspora who, because of their managerial and other constraints, have had limited internationalisation options and thus have committed themselves to a regional strategy, from the mid-1990's onwards, at a time when crisis in the economies of the Balkans did break out.

Particularly in banking we observe how the pursuit by Greek financial institutions of an earlier, primarily Diaspora-centred strategy (i.e. follow and serve the Greek client) established the foundations for a much more ambitious presence in the local markets through the acquisition of local banks. This upgrading, although it escapes the confines of the Diaspora, it has the potential to expand considerably Diaspora capabilities by improving access of Greek companies to local assets.

Looking more carefully at the nature of the acquisitions that have taken place in the region by Greek companies we have argued that these must have been of the brownfield variety, due to the predominantly outdated capital stock of enterprises in ex-centrally planned economies. They are acquisitions which entail a substantial and managerially challenging modernisation effort in terms of processes, equipment and retraining. They also confer, however, privileged relationships to producers of critical material inputs, valuable local brands, land and labour and concessions either in undertaking an activity as in telecomms or in exploiting a resource as in the case of the extractive industries. The concept of the brownfield is a valuable one for the ongoing evaluation of FDI in the region in terms of its motives, challenges and advantages. Brownfield acquisitions, a function of early entry and indirectly of proximity, are also important in us seeking to trace what kind of interactions are generated in a Diasporic, FDI context through individual FDI decisions.

Picking up local assets and rejigging them, so as to produce a viable new entity constitutes a major part of what the Greeks are doing in the region. This is also what makes them attractive as partners to MNCs. The process in which they are engaged is inherently complicated and requires country specific experience, of the sort that resides within the Diaspora and is replicated among its members. This is particularly so in retail activities where locating prime real estate assets and transforming them, in a cost efficient way, into an appealing retailing concept to cash strapped but demanding consumers, is an undertaking which requires both sophisticated managerial skills and entrepreneurship. Such efficiently localised corporate action cannot be generated within the ranks of even the most managerially competent MNC on a global scale. It has to be sought out and, once found, to be partnered with. The implications of this search for partnering is an increasing number of alliances between MNCs and Greek retailers in the region, the implementation of which further enriches Diaspora resources and positioning particularly so in the related activity of real estate development.

In tracing the trajectory of the Diaspora opportunity we also trace the trajectory of the Diaspora's purchase on cost containment in the region. With regard to containment of direct costs and transaction costs we move from the tax and custom duties evasion methods of the early 1990s to the managerially sophisticated mix-and-match strategies, between host and home based assets, examples of which are the brownfield acquisitions and the expansion of retail activities of members of the Diaspora. Throughout our story the benefits of cost containment commence - do not end - at the point in time when the sale that they have made possible is concluded. At all times and no matter how it is achieved, cost containment allows one to stay in the market, to get to know it better, to grow with it and leverage an initial investment when a greater opportunity presents itself. Cost containment is a ticket to a play, which not only you get to see, but also to write up and perform with actors and props of your preference.

Looking into the future what we see is a Capitalist Diaspora which is well entrenched and which continuously replenishes its membership of companies and individuals and expands the range of its activities as one thing leads to another. Developments on the ground will always affect the pace of this process. But it looks like the Greeks are here to stay.

References

Adarkar A., Adill A., Ernst D. and Vaish P., 'Emerging Market Alliances: Must They Be Win-lose?', *The McKinsey Quarterly*, No 4,1997.

Arnold D.J. and Quelch J.A., 'New Strategies in Emerging Markets', *Sloan Management Review*, Fall 1998.

Backman M., *Overseas Chinese Business Networks in Asia*, East Asia Analytical Unit, Department of Foreign Affairs and Trade, Commonwealth of Australia, 1995.

Barth K., Karch N.J., McLaughlin K and Smith Shi C., 'Global Retailing: Tempting Trouble?', *The McKinsey Quarterly*, No1, 1996.

Batra R., *Marketing Issues and Challenges in Transitional Economies*, Working paper No 12, The William Davidson Institute, The University of Michigan Business School, October 1996.

Bevan A.E. and Estrin S., *The Determinants of Foreign Direct Investment in Transition Economies*, Discussion Paper Series No 9, London Business School, October 2000.

Brown J.S. and Duguid P., *The Social Life of Information*, Harvard Business School Press, 2000.

Builer W.H., Lago R. and Rey H., *Financing Transition: Investing in Enterprises During Macroeconomic Transition*, Working paper 35, EBRD, December 1998.

Cohen R., *Global Diasporas-An Introduction*, UCL Press, 1997.

Dawar N. and Chattopaddhyay A., *Rethinking Marketing Programs for Emerging Markets*, Working Paper No320, William Davidson Institute, June 2000.

European Bank for Reconstruction and Development, *Transition Report 1995*.

European Bank for Reconstruction and Development, *Transition Report 1996*.

European Bank for Reconstruction and Development, *Transition Report 1997*.

European Bank for Reconstruction and Development, *Transition Report 1998*.

European Bank for Reconstruction and Development, *Transition Report 1999*.

European Bank for Reconstruction and Development, *Transition Report 2000*.

Estrin S., Hughes K.and Todd S., *Foreign Direct Investment in Central and Eastern Europe-Multinationals in Transition*, Royal Institute of International Affairs, 1997.

Financial Times Survey, *Republic of Macedonia*, February 19, 2001.

Financial Times Survey, *Greece*, December 8, 1998.

Financial Times Survey, *Greece*, December 21, 1999.

Financial Times Survey, *Greece*, December 13, 2000.

Grabner G. and Stark D., *Restructuring Networks in Post-Socialism*, Oxford University Press, 1997.

Hellman J.S., Jones C., Kaufmann D., *Seize the State, Seize the Day*, Policy Research Working Paper 2444, The World Bank, September 2000.

Hsieh T., 'Prospering through Relationships in Asia', *The McKinsey Quarterly*, No4, 1996.

Hsieh T., Lavoie J., Samek R., 'Think Global, Hire Local', *The McKinsey Quarterly*, No4, 1999.

Johnson S., McMillan J. and Woodruff C., *Property Rights, Finance and Entrepreneurship,* Working Paper No 43, EBRD, October 1999.

Kamaras A., *Banking Operations of Greek Companies Established in Bulgaria*, Internal Memo, Egnatia Bank, July 1994.

Kenningham A., *Private Sector Development in Bulgaria*, unpublished report, prepared for the IMF Resident Mission, 1994.

Khanna T. and Palepu K., 'The Right Way to Restructure Conglomerates in Emerging Markets', *Harvard Business Review,* July-August 1999.

Meyer K., *Direct Investment in Economies in Transition*, Edwar Elgar, 1998.

Meyer K., *International Business Research on Transition Economies,* Discussion Paper Series No3, Centre for New and Emerging Markets, London Business School, April 2000.

Meyer K. and Estrin S., *Entry Mode Choice in Emerging Markets: Greenfield, Acquisition, and Brownfield*, Working Paper No18, Centre for East European Studies, Copenhagen Business School, February 1998.

Meyer K., Tind A. and Jacobsen M.K., *National Internationalization Processes: SME on the Way to Eastern Europe*, Working Paper No.37, Centre for East European Studies, Copenhagen Business School, June 2000.

Mitsos A. and Mossialos E., *Contemporary Greece and Europe*, Ashgate, 2000.

Ministry of National Economy (Greece), Division of Relations with the countries of East Europe and the Balkans, *Greece & Balkan Countries—the Evolution of Economic and Commercial Relations*, Athens, March 2000.

Mintzber H., 'The Fall and Rise of Strategic Planning', *Harvard Business Review*, Jan-Feb1994.

OECD, Centre for Co-operation with the Economies of Transition, *Economic Surveys: Bulgaria 1997*.

OECD, Centre for Co-operation with the Economies of Transition, *Economic Surveys: Bulgaria 1999*.

OECD, Centre for Co-operation with the Economies of Transition, *Economic Surveys: Romania 1998*.

Petrakos G. and Totev S., *The Development of the Balkan Region*, Ashgate, 2000.

Petrakos G., Maier G. and Gorzelak G., *Integration and Transition in Europe-The Economic Geography of Interaction*, Routledge 2000.

Prahalad C.K. and Lieberthal K., 'The End of Corporate Imperialism', *Harvard Business Review,* July-August 1998.

Price Waterhouse, *The Retail Trade in Eastern Europe*, A Report Prepared for the Distributive Trades Unit, DG XXIII of the European Communities, March 1990.

Quelch J. and Bloom H., 'Global Marketing', *The McKinsey Quarterly*, No2, 1996.

Raiser M., *Informal Institutions, Social Capital and Economic Transition: Reflections on a Neglected Dimension*, Working Paper 25, European Bank for Reconstruction and Development, December 1997.

Raiser M., *Trust in Transition*, Working Paper No39, European Bank for Reconstruction and Development, April 1999.

Stiglitz J.E., *Whither Reform? Ten Years of the Transition*, World Bank Annual Bank Conference on Development Economics, April 1999.

UNCTAD, *Small and Medium-sized Transnational Corporations-Role, Impact and Strategic Implications*, 1993.

Williamson P.J., 'Asia's New Competitive Game', *Harvard Business Review*, September October 1997.

Van Winjbergen S., *Bank Restructuring and Enterprise Reform*, EBRD Working Paper No 29, February 1998.

About the Author

Antonis Kamaras (MSc in Political Theory, LSE) is a Research Officer at the Hellenic Observatory of the European Institute, at the London School of Economics and Political Science. Previously, he worked for a seven-year period for Greek financial institutions during which he was primarily engaged with the emerging markets of the Balkans.

Contact Details
Antonis Kamaras
Tel: 020 7955 6340
Fax: 020 7955 6497
Email: a.kamaras@lse.ac.uk

The Hellenic Observatory and the Eleftherios Venizelos Chair in Contemporary Greek Studies were created in 1996 through a generous endowment of Greek sponsors. It forms part of the European Institute at the London School of Economics and Political Science. It aims to promote the study of contemporary Greece and the wider region of the Balkans in the area of social sciences through teaching, training and research. The Hellenic Observatory also plays an active role in EU related activities within the European Institute. It organises a wide range of public lectures, seminars and conferences and it is engaged in several research programmes.

Previous papers in the Hellenic Observatory ***Discussion Paper Series*** include:

- Christos Rozakis, *The Protection of Human Rights in Europe: Evolving Trends and Prospects*, Discussion Paper No 1, October 2000

- Erik Holm, *High Politics and European Integration: From EMU to CFSP*, Discussion Paper No 2, November 2000

- Othon Anastasakis, *Extreme Right in Europe: A Comparative Study of Recent Trends*, Discussion Paper No3, November 2000