Chapter 6: The Historical Trajectory of a Peripheral National Business System

Maria Kapsali and Rea Prouska

Introduction: Challenging Presumptions in Peripheral National Business Systems

The recent global financial crisis has revealed that the application of ahistorical and grossly generalized lessons and methods from studies on core National Business Systems (NBS) to understand countries on the European periphery does not generate explanations about the 'leaping' back and forth of systems from the periphery to the semi-periphery. Research on peripheral countries is limited, and most NBS literature focuses on advanced-core or semi-peripheral systems. There have been several studies on Asian peripheral countries, including China, Japan, Hong Kong and South Korea (Witt and Reading, 2012; Černíková, 2010; Bendt and Sanne, 2010; Tipton, 2009; Carney, 2005; Yeung, 2000; Whitley, 1991) as well as comparative studies (Casson and Lundan, 1999) and fewer studies on European and South American peripheral countries in the last decade (Gabrisch *et al.*, 2012; Černíková, 2010; Psychogios and Szamosi, 2007; Amable, 2003). Furthermore, the definition of 'periphery' in these studies has been confusing, as the same economies have sometimes been perceived as peripheral and sometimes as semi-peripheral or core (Italy and Spain). For example, the European periphery was thought to comprise the countries of Eastern Europe (the Balkans, including Greece) or the former Soviet Empire (Poland), while countries on the European semi-periphery are declining cores – Portugal, Spain Italy, southern Germany, and southern France (Chase-Dunn, Kawana and Brewer, 2000). However, other studies include Greece as part of the semi-periphery (Prokou, 2003; Wallerstein, 1976, 1997).

Careful analysis of (semi)peripheral NBS is frustrated by two presumptions embedded in the study of core NBS: 1) the presumption of coherence; 2) the presumption of stability, which is used to study the status of (semi)peripheral NBS. Peripheral NBS, however, are often characterized by incoherence and instability due to their continuous exposure to asymmetric external forces. These presumptions have been challenged by two currents of thought in the NBS literature: 1) 'segmented' NBS; 2) the exploration of longitudinal and other types of historical change. As yet, no attempt has been made to examine both currents in greater historical depth.

This chapter challenges these presumptions by using a historical approach to analyse and explain the behaviour and development of a 'leaping' peripheral/semi-peripheral NBS (Greece). This represents a renewed call for '*more history and less systems*' in the comparative analysis of capitalisms (Martin, 2008), especially on the periphery (Fellman *et al.*, 2008), and we will show that the use of this model requires an understanding of historical sequence.

The next section will examine the ways that NBS studies deal with the issues of incoherence and instability and will explain our approach to critical junctures in segmented NBS institutions.

Theoretical framework – the segmented NBS

The NBS model shows the ways that institutions merge into a cumulative bundle of economic activity to support organizational practices (Morgan, 2007). However it is an 'ideal' type of institutional model, constructed eclectically in order to avoid the infinite combinations of institutional components (Whitley 1999, 2000). This ideal model makes sense only out of the structures of advanced systems presumed to be 'coherent', where institutional parts function in close interdependence with each other based on the premise of self-reinforcing integration and unidirectional relationships that achieve optimal wealth-maximizing results (Lundvall, 1999; Mayer and Wittington, 1999). In reality, an NBS is neither a coherent nor an optimal system; rather it is an evolutionary system with many interfaces and paths of action that develop through time. Ideal configurations that are 'optimal', 'stable' and 'coherent' by definition do not sufficiently explain why institutional paths in highly volatile environments are likely to be 'crooked' (Djelic and Quark, 2007) or the effects of (re)combinations of institutional interests and the accumulation of struggles in developmental paths.

To deal with the presumption of incoherence, studies have looked into systems that are profoundly non-optimal. Djelic and Quark (2007), Martin (2008) and Wood and Frynas (2006) propose a model of the 'segmented NBS', a distinct variety of capitalism that is not wealth-maximizing with low degrees of complementarity but is sustained because it serves specific interests – usually elites, often foreign ones (Wood and Frynas, 2006).

The focus on internal coherence leaves little room for explaining change (Brookes *et al.*, 2005), as it produces relatively static paradigms within which dynamic features are primarily explained by means of institutional reproduction (Herrigel, 2006). Instability is explained by the cumulative effects of subtle, incremental and transformative change (Streeck and Thelen, 2005; Thelen, 2003), neglecting other types of change, such as flux (frequent and turbulent change; see Burnes, 2004). Some studies delve into the history of particular NBS, but not all of them are academic (Amatori *et al.*, 2011) and many of them explore longitudinal change but not historical development (De Jong *et al.*, 2010; Tengblad and Ohlsson, 2010). Highly volatile systems such as peripheral NBS need to be accurately portrayed if their instability is to be understood.

Since peripheral NBS are neither coherent, stable nor optimal, they should logically be regarded as segmented. The segmented NBS model was created to explain incoherence in all types of NBS; however, weak and underperforming peripheral NBS, which are admittedly incoherent and unstable, are suitable for analysis.

Context and method: legacies within segmented NBS paths

As our aim is to use a historical approach to challenge the presumptions of coherence and stability in peripheral NBS, we will assess the formation of various legacies using Hotho's (2009) four institutional indicators of a segmented NBS: the role of the state, labour/skills, finances and firm structure.

The use of legacies requires *an analysis of earlier political-economic choices that shape the costs and benefits of embarking on certain institutional paths* (Kopstein and Reilly, 2000; Mazzoleni, 1997). We will examine the ways that legacies form, develop or change institutional paths at critical junctures (Deeg, 2005). Junctures are *points in time at which significant systemic changes occur and that host interfaces between institutional paths* (Frenkel and Shenhav, 2006), showing that history matters (Gourley, 2008; Pierson, 2000; Mahoney, 2000; Thelen, 2003). By exploring the historical transition of Hotho's four NBS indicators through legacies, we will identify recurring institutional practices and more clearly describe the historical development of a peripheral-segmented NBS. Studies that use aggregate measures, such as trade globalization (Chase-Dunn, Kawana and Brewer, 2000), are less sensitive to historical causality since such measures produce relatively stable core-periphery hierarchies with limited mobility.

We will use the case of the Greek NBS on the periphery of the EU, summarizing its historical trajectory over the past 170 years, based on information obtained from 13 empirical studies on the country's institutions and managerial practices (Prouska and Kapsali, 2011). We will examine three critical junctures at which the NBS entered a new historical 'era' and use the legacies created in each era to explain segmentation: 1) establishment of the independent Greek state and its gradual expansion from 1830 to 1900; 2) intense change and warfare from 1900 to 1974; 3) restoration of democracy and formation of the contemporary Greek NBS from 1974 to the present. These junctures were selected because they marked radical shifts in governance with respect to policies, regimes and systems of economic production.

The segmented Greek business system during the past 170 years

Two legacies at three junctures

Greece has been subject to constant political change and conflict during regimes that ranged from rigid dictatorships to occupations and monarchies between 1830 and 1974 (Kapsali and Butler, 2011; Maddison, 1995). The role of the state changed radically at the three critical junctures, creating two legacies that channelled institutional development into a segmented whole.

Legacy I: the power broker state

The first legacy involves the role of the state as a 'power broker' (Table 6.1), a mediating entity between national and foreign interests, a role that lasted during the first two critical junctures. The 'power broker' legacy stems from persistent historical patterns of external interference. At the third critical juncture, the role of the state shifts to being the 'patron of the electorate', as monarchist and centralist regimes transition to socialism. However, the role of the state eased the path of corrupt internal politics and failed to create the cessation processes that are necessary to ensure interdependencies and complementarities among business entities.

Legacy II: sociopolitical and economic division

The second legacy is a historically consistent pattern of political, economic and social division throughout contemporary history (Jesse, 2007). The division emerged from the autocratic patronage role of the state, led to several civil wars, favoured the interests of elites and caused political distortions, incoherence and instability, ultimately leading to segmentation in the NBS (Kapsali and Butler, 2011). The division was exacerbated by the internalization of change after every exogenous shock, especially when foreign interference was involved, generating colliding social conflicts and creating a highly volatile environment. The repercussions of this legacy for NBS institutions involved continuous disruption and partisanship in domestic politics, policies and institutions, as well as the marginalization vis-à-vis public and other institutional resources of a large part of the private sector not politically aligned with the state.

Critical juncture I: 1830-1900

The role of the state

The 'power broker' legacy starts with the establishment of the modern Greek state in 1830 (Table 6.1). From the very beginning, Greek affairs were subject to foreign influence. The major European political forces of the time were Britain, France and Russia, referred to as the 'Great Powers', which actively interfered in domestic affairs as if dealing with colonies. As an envoy of Britain, Lord Byron, predicted that *"an 'independent' Greece would be a colony of the sovereigns of Europe"* and the British ambassador in Athens was quoted as saying in 1841 that "*Greece is either Russian or English and, since she must not be Russian, she must be English...*" (Sarafis, 1990: 124). Dependency on the Great Powers with Britain as a leader was twofold: they saw to it that London's financial houses (the Rothschild bank) provided Greece with independence loans and they appointed a Bavarian king (Otto Friedrich Ludwig of Bavaria) while 'sponsoring' their own politicians in the Greek parliament.

The political and financial structures of the new kingdom were feudalistic. As a result, they were unable to keep pace with the capitalist structures into which western democratic systems were evolving. The main mistake was the establishment of a public bureaucracy (often referred to as Bavarocracy), a western-oriented, hierarchical, centralized, procedural system superimposed on the eastern public practices of decentralized political patronage and clientelism (*exchange of public services and resources through favours among actors with asymmetrical power in informal networks*) that had been the norm under the Ottoman regime for 400 years. Thus, the Bavarian bureaucracy did not make processes transparent but created a hybrid system of overlapping corrupt practices.

Labour/skills, finances and firm structures

Piperopoulos (2009) writes that industrialization during this period was characterized by a lack of specialization in production capabilities or supply chain activities, as well as random industrial production. Land redistribution policies exacerbated the problem of fragmented productivity. The state taxed civilians and small businesses heavily to repay war debts and failed to invest in industrial infrastructures or substantially empower and regulate private investment. As a result, economic production remained agrarian and small-scale; the peasant class, which represented the majority, was cut off from specialized, vocational or tertiary education and began to emigrate (Table 6.3). Unlike industrialized economies where a strong middle class owned most investment capital and exercised political power (Table 6.2), the Greek middle class was small, politically marginalized and reluctant to invest in industrial production. They invested in non-industrialized sectors such as trade services and marine commerce for quick profits, as well as low-risk industries like weaving (Limberakis, 1991; Agriandonis, 1986). Small-scale industrial firms obtained state resources through clientelism and bank loans, relying on the import of technology and knowledge. Firms did not develop the critical mass required for industrial clusters, they emerged opportunistically and remained small (Demiris, 1991; Limberakis, 1991). Family businesses dominated because industry was unable to develop collaborative infrastructures (Agriandonis, 1991) (Table 6.4).

However, commercial and agricultural productivity expanded rapidly, demonstrating that the country had capacity for growth. But industrialization stemmed mostly from the initiatives of a few entrepreneurs and elites rather than from systematic, organized activity, and small-scale production was insufficient to compete in wider markets. Greek productivity was so fragmented and haphazard that cumulative economic growth was too weak to overcome debts and deficits (Kabouroglou, 1985). As a consequence, the economy was insolvent by 1890.

Critical juncture II: 1900-1974

The role of the state

Due to its peripheral location, Greece went through an extremely turbulent period, including the Balkan Wars (1912-1913), two world wars (1914-1918; 1939-1945), a national catastrophe (1922) as a result of war with Turkey, 13 military coups during the National Schism (1924-1935), the Great Depression (1929), the Civil War (1945-1950), the Cold War (1950-1970) and a seven-year dictatorship (1963-1974) (Kapsali and Butler, 2011). The country had been in war for most of the twentieth century, with 34 isolated years that were free of serious domestic or external conflict. The pattern of dependency continued during this period, including more war, reconstruction debts and heavy external interference in domestic affairs, especially by the United States after the Civil War (Weiner, 2007; Legg, 1969), leading to loss of internal control and often of sovereignty as well. The country was exploited in various ways by its allies, adding to violent conflicts between the externally imposed monarch and the population. These conflicts consumed the resources of the state while continually fragmenting business infrastructures and institutions.

The state continued to play the role of the power broker, this time as an intermediary between conflicting or overlapping domestic and foreign vested interests. Governments backed up the police state and distorted democratic processes. State regimes and economic philosophy, as well as policy formation and implementation, changed so many times that the only efficient way of conducting business was by means of clientelist and particularistic practices (Taylor-Gooby, 2006) allied with personal networks, and with the public sector as the main distributor of resources (Table 6.1). Thus, the absence of a stable, sovereign political order had a segmenting effect on business practices.

Labour/skills, finances and firm structures

Business institutions were frequently disrupted during these 74 years. Such disruptions stunted business growth – the fundamental institutional fabric had to be reconstructed and business policies had to be reconstituted a number of times (Demiris, 1991). To compensate for the lack of coherence and stability and to sustain business expansion, governments either borrowed money or pursued protectionist or devaluation policies. They also used supranational institutions and programmes (Marshall Plan, Bretton Woods) in the 1950s to patch together the missing business infrastructures. The use of external institutions created some stability for business during times of relative peace and promoted credibility in the market. However, supranational external funds were designed to be absorbed and utilized by business systems that already had basic infrastructures and rules of liberal capitalism, not to suit the needs of a segmented, incoherent system. Despite the problems, business was resilient and high levels of growth were achieved during the three decades between conflicts (Polizos and Panagiotopoulos, 1998). Two periods of economic growth exhibited strong entrepreneurial activity, albeit opportunistically (Demiris, 1991; Table 6.2). The first period was after the war in 1922, boasting growth of 3.5 per cent (Freris, 1986) mainly due to the influx of educated immigrants who started countless small businesses (Hirschon, 2003). The second period was after the Civil War from the early 1950s to the mid-1970s, which exhibited impressive economic development due to the Marshall Plan, a drastic devaluation of the Drachma, price and import controls, lower interest rates, a dynamic chemical industry, tourism, transport service and massive public funding to rebuild the transportation infrastructure (Mouzelis, 1978). Growth averaged 7 per cent, second only to Japan. Growth was highest in the 1950s and often exceeded 10 per cent in the 1960s (Maddison, 1995).

Greece adopted the Fordist model of industrial production, though not fully implementing it, and achieved a modest peripheral position in the international economy (Vasiliadis, 2008). The economy still resembled underdeveloped capitalism, with low agricultural production and bureaucratic public administration in control of most bank accounts and directly or indirectly managing the insurance industry through the National Bank and Commercial Bank (Piperopoulos, 2009; Choumanidis, 1990). Both internal and direct investments were primarily financed by the state, the industrial sector was unable to grow due to sluggish investment activity, and population movements destabilized the labour, further discouraging investment and weakening the education system (Iakovidis, 1998). For these reasons, the vast majority of businesses were family-owned and had trouble competing due to the lack of investment in modernization. The gap between these businesses and the few politically connected and oligopolistic larger businesses widened (Piperopoulos, 2009; Tsouflidis, 2003; Kostis, 1999).

Critical juncture III: 1974-2010

The role of the state

Radical changes occurred in 1974 – the restoration of parliamentary democracy, abolition of the monarchy, elimination of the army's interference in politics, reconciliation with political prisoners and refugees, participation in the European Union and resistance to the intense influence of the United States (Kapsali and Butler, 2011). Another radical shift occurred in 1981 when socialist governments took over, leading to the establishment of welfare institutions.

Although the effort to restore internal order and oppose external interference was very successful, the role of the state shifted from being a 'power broker' for the elite to serving as a 'patron of the electorate' (Table 6.1). In essence, governments used patronage practices in the public sector to provide the general electorate, not just the elites, with employment and access to business resources. Such economic redistribution, which reduced social and economic inequalities, confronted governments with the dilemma of trying to satisfy conflicting objectives, including economic growth, the resolution of social conflicts and re-election.

The ‘patron’ state role led to: a) more intense distortions in the structure of business institutions sustained by debt; b) division of society into two factions (those who had access to business resources and the opposition who did not), this time in the political arena. A string of governments enjoyed relatively short lives and changed business policies in arbitrary ways.

Labour/skills, finances and firm structures

Three significant milestones marked the evolution of a segmented business system after 1974: welfare reforms and policy discontinuity, an enormous public debt and reliance on European patronage, all of which led to poor performance (Othelen *et al.*, 2003). Post-1974 governments created market distortions (radical socialist policies that led to a steep increase in labour costs, a semi-regulated financial system, public monopolies, nationalization, subsidies, expansion of public administration and a supply-driven system based on investment grants and EC transfers) that not only discouraged private investment but destabilized the balance of payments and made it impossible to control inflation (Alogoskoufis *et al.*, 1996).

One cause of economic deterioration was the lack of the kinds of complementarities between the government, labour market, investment and businesses (Table 6.2) able to absorb the tremors of economic and social ‘shocks’ (Alogoskoufis *et al.*, 1996; Vasiliadis 2008). Socialist governments after 1981 eventually pursued policies to promote dialogue between ‘social partners’ in the NBS (employers-labour-finance-skills), including the healthcare system, pension funds, trade unions, regulations to support investment in the stock market, and education reform (Tables 6.2 and 6.3). However, the ‘social partners’ perpetuated the culture of partisanship, corporatism and polarization, failing to reach consensus on more progressive policies (Charalambis *et al.*, 2004) making labour highly expensive and leading to political inertia (Venieris, 2003). In addition, these policies encountered opposition or were incompletely adopted due either to the public bureaucracy or to the lack of familiarity among small family firms with these kinds of practices (Table 6.4). Because the public sector was used to rein in political opposition through the control and distribution of state resources, it remained a source of corruption and mistrust of government. As a result, redistribution was inequitable, leading to the highest percentage of employers and self-employed people in the EU (sustaining the black economy and compromising price-wage flexibility) at the expense of private sector employees (Timmer *et al.*, 2007).

Although economically important industries grew (Polizos and Panagiotopoulos, 1998), the NBS still performed poorly. However, poor performance was not correlated with low productivity but with the large ‘black economy, extremely regressive taxation system, high labour costs and lack of investment in modern technology (Oltheten *et al.*, 2003). Poor performance was also linked to the lopsided business sector: a large service sector, along with small agricultural and industrial sectors, which shaped demand for particular types of labour (Piperopoulos, 2009), and the elimination of protectionist and monetary policies, which meant higher costs after the adoption of the euro in 1999.

Discussion: Implications of legacies in the segmented peripheral Greek NBS

We have been discussing segmentation of the Greek peripheral system due to political practices historically that are embedded in legacies and that create internal incoherence and instability. We have also discussed maintenance of the segmented system despite the lack of complementarities.

The two legacies bind the NBS together in a segmented structure. At the source of this segmentation is the division of the economy into private and public sectors that compete for (mainly public) resources. The patronage role of the state and its clientelist practices have constantly used the public sector to eclectically distribute resources to the private sector, leading to corruption and the black economy, weak infrastructures and alienated firms at every juncture (see Figure 1). The internal division was exacerbated by external interference, which is supposed to be absent in semi-peripheral systems. The division within this segmented system is so deep that the phenomenon replicates itself in a cyclical process – the legacies have to change in order for social practices (and the institutions that regulate them) to be acculturated into a new modus operandi (Clogg, 2002).

Segmentation in the Greek NBS consistently exhibited a lack of complementarities (Kang, 2006), creating a fragmented, risk-averse industrial landscape. Firms remained small, mostly service-oriented, and relied on bank loans or personal investment, unless there were clientelist connections to public structures as compensation for the absence of formal institutional support. Thus the average small firm is ‘alienated’ and incompletely integrated with the institutions (Martin, 2008; Figure 1), making it more vulnerable to external influence, given constant dependency on external production systems, mainly core countries.

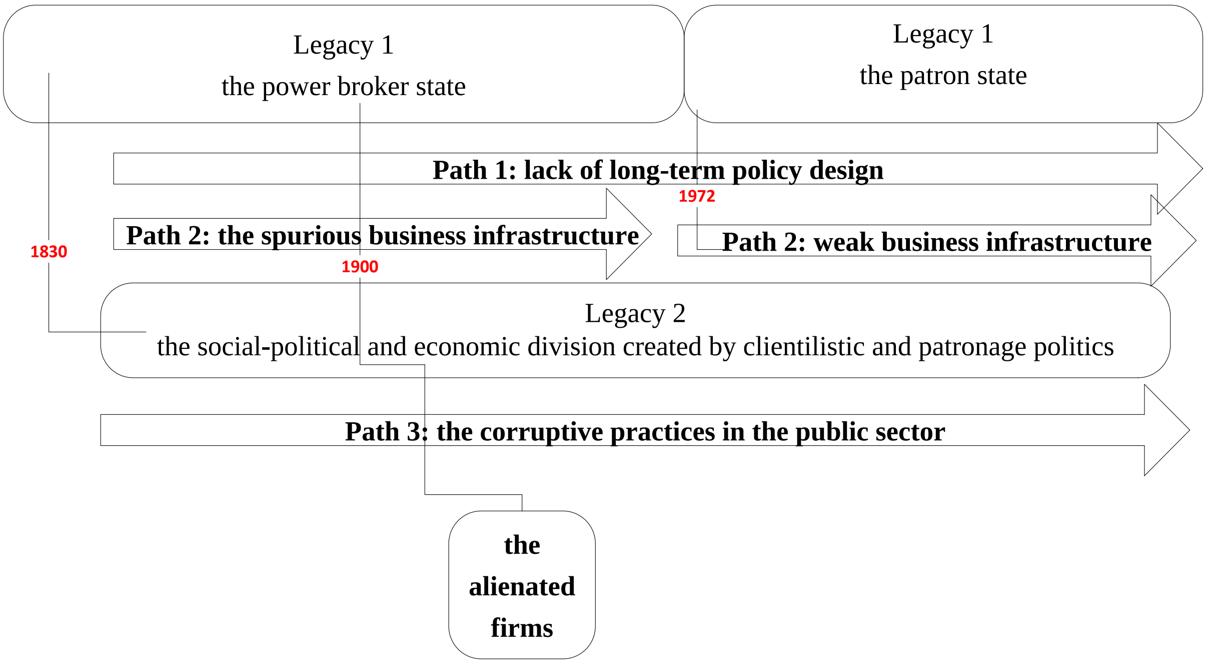
Unlike the argument of NBS theory according to which this cycle can be broken by radical reforms (Wood and Frynas, 2006), persistence of the legacies neutralized radical political and socioeconomic reforms at the second and third critical junctures. Even though reforms temporarily improved institutional performance at these junctures, *which explains the ‘leaping’ between periphery and semi-periphery*, neither legacy that had caused institutional failure changed and the system remained segmented. Efforts by post-1974 governments to change legacies by means of European institutional rules were unsuccessful due to the lack of complementarities and other ‘clumsy’ institutions (Gourley, 2008) to support these rules. Any attempts by governments to create complementarities and clumsy institutions were inhibited by public actors, preserving legacies since the first critical juncture. Importing rules from a supranational institutional system into the segmented

NBS ultimately failed to change business practices. Rather than altering or replacing current practices the new institutional rules either reinforced the legacies or became inactive.

Further analysis of (semi-)peripheral NBS that is sensitive to the particularities of their internal and external power struggles and links to core countries might reveal that our assumptions are inaccurate (Featherstone, 1998). Take the example of the transferability of, or compliance with, EU regulations at the last critical juncture. A facile conclusion would be that Greece's current financial crisis is the result of deception on the part of the government, given that structural inefficiencies were concealed by the statistical and economic reports provided to the EU when entering the Eurozone. However this perspective is based on the assumption that the EU had no knowledge of the consistent historical structural and performance inadequacies of peripheral systems like Greece. The fact that several peripheral systems with well-known structural deficiencies –Portugal, Ireland, Italy, Greece and Spain (PIIGS) – were accepted and placed *in the 'central zone of the euro'* suggests that the EU was aware of such vulnerabilities but accepted the risk, mainly because they intended to take control of these economies by saddling them with more debt in the case of crisis. This raises the question of whether such politics are a new form of *'colonialism through debt'* by which the repositioning of a segmented NBS from a peripheral to a semi-peripheral status subjects it to suboptimal financialization of its economy, leading to the subsequent economic and political dependency to its creditors.

For example, the assertion that the EU Common Agricultural Policy (CAP) and structural funds sustained Greece is an exaggeration, as they comprised only 3 per cent of GDP and much of it remained unabsorbed due to segmentation. However, the bail-out debt imposed as the inevitable result of economic submission to the pressure of keeping up with the core countries gives the EU leverage to proceed with extraordinary political interventions in the policies of peripheral countries. In the recent case of Cyprus, such intervention involved the illegal confiscation of private property – 40 per cent of private deposits (above EUR 100,000) – which economic theory defines as a gross abuse of government power (even though the EU is not the government). This marks the beginning of a new legacy. Lagarde characterized this theft as "a *lasting*, durable and fully financed solution", suggesting that it might turn into a more frequent tactic to address the institutional failures of other peripheral and semi-peripheral economies and raise questions about the kind of political and economic intervention that stems directly from dependence on 'debt politics'. Theft of private property from peripheral systems unable to hold out against their creditors could easily continue, and the only question is which ailing NBS is next in line for this type of treatment. The opposite example of the peripheral PIIGS is Iceland, which refused 'interventions' that included austerity measures and punishment of private citizens. Iceland overcame a debt ratio of 240 per cent by reducing institutional corruption and helping citizens and businesses to recover. Alternatives exist and can be implemented.

Figure 6.1: Legacies and paths creating the Greek segmented peripheral NBS. Source: the authors



Conclusion: the future of the peripheral NBS

We started this chapter by challenging prevailing perceptions about (semi-)peripheral NBS and exploring their historical development in order to explain why they cannot be classified correctly. We presented an explanation of an NBS that leaps from the semi-periphery to periphery through an analysis of the historical development of institutional segmentation and lack of coherence and stability instead of resorting to aggregate measures, such as trade globalization, that are less sensitive to historical causality and upward or downward mobility within NBS hierarchies. We suggest that adoption of a more historical segmented approach may not only explain the reasons for the position in the hierarchies but disclose more variation within this hierarchy, as well as many outliers that are currently assigned to one position or another. This is a significant topic for future research on peripheral systems: how their legacies affect their institutional development and status in the global system.

References

Agriantonis, C. (1991) 'Hellenic Industry in the 19th Century, Prospects and Problems of Integration', in G. Dertilis and K. Kostis (eds.), *Modern Greek History Themes (18-19th Centuries)*, (Athens: Tipothito).

Agriantonis, C. (1986) *The beginning of Industrialization in Greece in the Nineteenth Century*, (Athens: Historical files of the Commercial Bank of Greece).

Alogoskoufis, G. (1996) 'The Two Faces of Janus: Institutions, Policy Regimes and Macroeconomic Performance in Greece', *Economic Policy*, 10(20): 149-192.

Amable, B. (2003) *The Diversity of Modern Capitalism*, (Oxford: Oxford University Press).

Amatori, F., Bugamelli, M., and Colli, A. (2011) Italian Firms in History: Size, Technology and Entrepreneurship, *Quaderni di Storia Economica (Economic History Working Papers)*, Number 13.

Bendt, F., and Sanne, J. (2010) 'The Korean Business System: National Characteristics and the Impact of the FTA between Korea and the EU from a European Corporate Perception', University of Gothenburg, School of Business, Economics and Law.

Brookes, M., Brewster, C., and Wood, G. (2005) 'Social Relations, Firms and Societies: A Study of Institutional Embeddedness', *International Sociology*, 20(4): 403-426.

Burnes, B. (2004) *Managing Change*, 4th ed., (UK: Prentice Hall).

Carney, M. (2005) Globalization and the Renewal of Asian Business Networks, *Asia Pacific Journal of Management*, 22(4), 337-354.

Casson, M. and Lundan, S.M. (1999) 'Explaining International Differences in Economic Institutions: A Critique of the National Business System as an Analytical Tool', *International Studies of Management & Organization*, 29(2): 25-42.

Černíková, P. (2010) 'Business Cycle Analysis of the Core and Periphery Countries in the EMU', *Ekonomický časopis*, 58(5): 471-492.

Charalambis, D., Maratou-Alipranti, L., and Hadjiyanni, A. (eds.) (2004) *Recent Social Trends in Greece 1960-2000*, (Toronto: McGill-Queen's University Press).

Chase-Dunn, C., Kawano, Y., Brewer, B. D. (2000). 'Trade Globalization since 1795', *American Sociological Rewiew*, 65(1): 77-95.

Choumanidis, L. (1990) *Economic History of Greece: Volume I and II*, (Athens: Papazisis).

Clogg, R. (2002) *A Concise History of Greece*, (Cambridge: Cambridge University Press).

Deeg, R. (2005) 'Change from within: German and Italian Finance in the 1990s', ch.7 in K. Thelen and W. Streeck (eds.), *Beyond Continuity: Institutional Change in Advanced Political Economies*, (Oxford: Oxford University Press), pp.169-202.

De Jong, A., Röell, A., and Westerhuis, G. (2010) 'Changing National Business Systems: Corporate Governance and Financing in the Netherlands, 1945-2005', *Business History Review*, 84(4): 773-798.

Demiris, K. (1991) *The Greek Weaving Industry: Historical and Typogical Exploration*, (Athens: Cultural and Technological Foundation ETBA).

Djelic, M.L. and Quack, S. (2007). 'Overcoming Path Dependency: Path Generation in Open Systems', *Theoretical Sociology*, 36(2): 161-186.

Featherstone, K. (1998). 'Europeanization' and the Centre Periphery: The Case of Greece in the 1990s'. *South European Society and Politics*, 3:1, 23-39.

Fellman, S., Iversen, M., Sjogren, H., and Thue, L. (2008) *Creating Nordic Capitalism: The Business History of a Competitive Periphery*, (London: Palgrave Macmillan).

Frenkel, M. and Shenhav, Y. (2006) 'From Binarism Back to Hybridity: A Postcolonial Reading of Management and Organization Studies', *Organization Studies*, 27(6): 855-876.

Freris, A.F. (1986) *The Greek Economy in the Twentieth Century*, (UJ: St. Martin's Press).

Gabrisch, H., Orlowski, L.T., and Pusch, T. (2012) 'Sovereign Default Risk in the Euro-Periphery and the Euro-Candidate Countries',MPRA Paper 41265, University Library of Munich, Germany.

Gourley, W. (2008). 'Wicked Problems, Hybrid Organizations, and Clumsy Institutions at the Further Education and Higher Education Interface', Working Paper, University of Sheffield, available online at: https://www.shef.ac.uk/FurtherHigherproject.

Herrigel, G. (2006) *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States and* Japan, (Cambridge: Cambridge University Press).

Hirschon, R. (2003) Crossing the Aegean: An Appraisal of the 1923 Compulsory Population Exchange between Greece and Turkey, (Oxford, Berghahn Books).

Hotho, J.J. (2009) 'A Measure of Comparative Institutional Distance', SMG Working Paper No. 7/2009.

Iakovidis, G.I. (1998) *Technical and Professional Education in Greece*, (Athens: Gutenberg).

Jesse, N. (2007) 'Greece (1944–1949)', in K. DeRouen and U. Heo (eds.), *Civil Wars of the World - Major Conflicts since WWII*, pp. 367-384, (Greenwood: ABC-Clio).

Kabouroglou, P. (1985) *The History of Piraeus 1833-1882: General situation, Trade, Shipping*, (Athens, Karavias).

Kang, N. (2006) 'Analysing System Change: The Role of Institutional Complementarity in Corporate Governance', Research Paper Series, International Centre for Corporate Social Responsibility, No. 43 ISSN 1479-512.

Kapsali, M. and Butler, J. (2011) 'Politics', in: R. Prouska and M. Kapsali (eds.), *Business and Management Practices in Greece: A Comparative Context*, (London: Palgrave Macmillan), pp.3-26.

Kopstein, J.S. and Reilly, D.A. (2000) ‘Geographic Diffusion and the Transformation of the Postcommunist world’, *World Politics*, 53(1), 1-37.

Kostis, K. (ed.) (1999) Modern Banking in the Balkans and West-European Capital in the Nineteenth and Twentieth Centuries, (Aldershot: Ashgate).

Legg, K.R. (1969) *Politics in Modern Greece*, (USA: Stanford University Press).

Limberakis, A. (1991) *Flexible Specialization: Crisis and Reconstruction in the Small Industry*, (Athens: Gutenberg).

Lundvall, B.A. (1999) ‘National Business Systems and National Systems of Innovation’, *International Studies of Management and Organization*, 29(2): 60-77.

Maddison , A. (1995) *Monitoring the World Economy 1820–1992*, OECD.

Mahoney, J. (2000) ‘Path Dependence in Historical Sociology’, *Theory and Society*, 29(4): 507-548.

Martin, R. (2008) ‘Post-socialist segmented capitalism: The case of Hungary'. Developing business systems theory’, *Human Relations*, 61(1): 131-159.

Mayer, M. and Whittington, R. (1999) ‘Euro-Elites: Top British, French and German Managers in the 1980s and 1990s’, *European Management Journal*, 17(4): 403-408.

Mazzoleni, R. (1997) ‘Learning and Path-dependence in the Diffusion of Innovations: Comparative Evidence on Numerically Controlled Machine Tools’, *Research Policy*, 26(4-5): 405-428.

Morgan, G. (2007). ‘National Business Systems Research: Progress and Prospects’, *Scandinavian Journal of Management*, 23: 127-145.

Mouzelis, N.P. (1978) *Modern Greece: Facets of Underdevelopment*, (London: MacMillan).

Oltheten, E., Pinteras, G., and Sougiannis, T. (2003) ‘Greece in the European Union: Policy Lessons from Two Decades of Membership’, *The Quarterly Review of Economics and Finance*, 43(5): 774-806.

Pierson, P. (2000) ‘Increasing Returns, Path Dependence and the Study of Politics’, *The American Political Science Review*, 94(2): 251-267.

Piperopoulos, P. (2009) ‘Economics, Business and Society in Greece: Towards a National Innovation System’, *International Journal of Economics and Business Research*, 1(3): 277-290.

Polizos, G. And Panagiotopoulos, B. (1998) *Historical Industrial Equipment in Greece*, (Athens: Odysseas).

Prokou, E. (2003). ‘International Influences on Educational Policy--With Special Reference to the Technological Sector of Higher Education--in Greece as a European Semi-periphery’. *Compare*, *33*(3): 301-313.

Prouska, R. and Kapsali, M. (eds.) (2011) *Business and Management Practices in Greece: A Comparative Context*, (London: Palgrave Macmillan).

Psychogios, A.G. and Szamosi, L.T. (2007) ’Exploring the Greek National Business System: Towards a Modernization Agenda’, *EuroMed Journal of Business*, 2(1), 7-22.

Sarafis, M. (1990) 'Contemporary Greek History for English Readers: An Attempt at a Critical Analysis', in M. Sarafis and M. Eve, (eds.), *Background to Contemporary Greece: Volume 1*, pp. 123-152.

Streeck, W. and Thelen, K. (eds.) (2005) *Beyond Continuity – Institutional Change in Advanced Political Economies*, (Oxford: Oxford University Press).

Taylor-Gooby, P. (2006). 'The Greek Welfare Reform in the European Context', in M. Petmesidou and E. Mossialos (eds.), *Social Policy developments in Greece*, (USA: Ashgate Publishing Company), pp.405-412.

Tengblad, S. and Ohlsson, C. (2010) 'The Framing of Corporate Social Responsibility and the Globalization of National Business Systems: A Longitudinal Case Study', *Journal of Business Ethics*, 93(4): 653-669.

Thelen, K. (2003). 'How Institutions Evolve: Insights from Comparative-Historical Analysis', in J. Mahoney and D. Rueschemeyer (eds.), *Comparative-Historical Analysis in the Social Sciences*, (Cambridge: Cambridge University Press), pp. 208-240.

Timmer, M.P., O'Mahony, M., and Van Ark, B. (2007) 'EU KLEMS Growth and Productivity Accounts: Overview November 2007 Release', (Groningen: University of Groningen), available online at www. euklems. net/data/overview_07ii. pdf .

Tipton, F.B. (2009) 'Southeast Asian Capitalism: History, Institutions, States, and Firms', *Asia Pacific Journal of Management*, 26(3), 401-434.

Tsouflidis, L. (2003) *Economic History of Greece*, (Thessaloniki: Macedonia University Press).

Vasiliadis, L. (2008) 'How Greece and Ireland Have Been Positioned in the World Developments Since 1945: A French Regulation Approach', *Journal of Social Sciences*, 4(1): 42-55.

Venieris, D. (2003) 'Social Policy in Greece: Rhetoric versus Reform', *Social Policy & Administration,* 37(2): 133-147.

Wallerstein, I. (1974). *Semi-Peripheral Countries and the Contemporary World Crisis*. New York City: Academic Press.

Wallerstein, I. (1997). *The Capitalist World Economy*. New York City: Cambridge University Press.

Weiner, T. (2007) *Legacy of Ashes: The History of the CIA*, (London: Penguin Books).

Whitley, R.G. (1999) *Divergent Capitalisms: The Social Structuring and Change of Business Systems*, (Oxford: Oxford University Press).

Whitley, R.G. (2000). 'The Institutional Structuring of Innovation Strategies', *Organization Studies*, 21(5): 855-886.

Whitley, R.D. (1991) 'The Social Construction of Business Systems in East Asia', *Organization Studies*, 12(1):1-28.

Witt, M. and Redding, G. (2012) 'Asian Business Systems: Institutional Comparison, Clusters, and Implications for Varieties of Capitalism and Business Systems Theory', INSEAD Working Paper No.2013/05/EPS/EFE.

Wood, G. and Frynas, G. (2006) 'The Institutional Basis of Economic Failure: Anatomy of the Segmented Business System', *Socio-Economic Review*, 4(2): 239–277.

Yeung, H.W.C. (2000) 'The Dynamics of Asian Business Systems in a Globalizing Era', *Review of International Political Economy*, 7(3), 399-443.

State	1830-1900	1900-1974		1974 – 2010
	Debt and political patronage – foreign kings and foreign policies – government is an intermediary	**1900-1950** **Violent interventions and periodic loss of control – divisions**	**1950-1974** **Control of the economy and civil society – divisions**	**EU patronage, supranational 'allies' and pressures of global competition – the government is a negotiator – low investment and debt crisis**
Role, policies and public administration **Elites and power structures**	Foreign political patrons - the 'Great Powers' – control domestic affairs – the patrons chose foreign kings as head of state Public sector: Ottoman-style government corruption hybridized with Bavarian hierarchy allocates resources using patronage and clientelist relations with elites Feudalist policies are not modern by foreign standards – policies (education, investment) - land redistribution set back initiatives for industrialization	Due to patrons wars (Balkan wars, world wars, Civil War, Depression, Cold War, etc.) and civil disputes (National Schism, military coups), state infrastructure were destroyed several times – no continuity of industrial policy – constant reconstruction – debts Flux back and forth intensifies partisanship and corruption	King, military, state wars, recurring regime change, government infighting lead to dictatorship The United States replaced the British and European allies as the new 'patron' – invasion of Cyprus and interference in domestic affairs	Restoration of democracy using foreign Central European models (French and German), abolition of monarchy, Europeanization of the state – the EU replaced the patronage of the Great Powers and the United States – compliance with EU rules and policies Relative political stability, but still social division – a legacy of mistrust and fractured class/political divisions. Redistribution policies used for reconciliation – social unrest when the state tries to cut back – no overall design or policy continuity Legacy of clientelist relationship with the electorate

Table 6.1: The path of the role of the state with indicators by Hotho (2009) (evidence from Prouska and Kapsali, 2011)

Financial systems	1830-1900	1900-1974		1974-2010
	War debts and insolvency – missed opportunity for industrialization	**1900-1950** **Loss of control with periodic revivals – more debts – periodic boosts**	**1950-1974** **Regaining control – credit-based booms**	**Emergence of middle-class investors- credit-based financing and savings dominate – market-based stock exchange boost that collapsed due to weak regulation**
Sources of financing **Debt or market** **Production and market investment**	The economy started functioning with a deficit due to war debts to London banks Due to lack of investment, the country had to rely on recurring debts Land redistribution confined investment to small plots – lack of middle-class investors and poor market financing Trade, shipping, sporadic industrialisation based on funds from political elites – or loans	Markets and production destroyed by recurring wars State unable to repay loans, loss of markets (domestic and foreign) – further debt Lack of investment due to war shocks – the state used monetary policies to raise revenues – more debt Injection of labour through mass immigration led to short boom for small businesses – retail-oriented	Marshall Plan partly implemented Protectionist policies lead to rapid business development Boosts industries – economy enters a capitalist phase with high levels of investment in industry, tax credits and protectionism, and the emergence of monopolies – investment still credit-based Businesses continue to invest little – opportunistic industrialization– service sector	Reallocation of industrial sectors – agriculture gradually disappears , weak industrial and innovation sectors – service boosts State used monetary policies to attract investment and to make services competitive until the euro was adopted Redistribution policies due to social divisions – led to savings rather than stock market investment – black economy Self-employment, no large companies to invest, mainly SMEs Did not attract much investment

Table 6.2: The path of the financial institutions with indicators by Hotho (2009) (evidence from Prouska and Kapsali, 2011)

Skills development system	1830-1900 **Educating the illiterate masses**	1900 – 1974 **Influx of educated people – establishment of education but not for business professions**	1974 – 2010 **Increase in university education, asymmetric labour pool, incomplete protection of workers**
State of literacy, labour pool **Strength of education and training systems (availability and accessibility of education)**	Diaspora of educated people Population is illiterate, uneducated – confined to agrarian professions Adoption of a free education system, modernization of language Gradual population growth cannot create predictable skills policies	Destruction of Smyrna, huge influx of new labour refugees contributes to business and banking, they are well-educated and entrepreneurial, labour became cheaper, small businesses rise Frequent changes to government inhibited a long-term education policy for business and industrial professions – classical 'professional' education (doctors, lawyers, etc.) was preferred Until the 1950s – investment in skills lagged behind industrial development Changes in market practices, unstable labour markets, cannot industrialize No social welfare for the unemployed, but establishment of insurance and pension systems	No calibration of market demand and education planning Most of the population is educated (undergraduate and postgraduate degrees), educated foreign labour, new skills (services), vocational education weak (little in-house training) Increased labour costs due to social policies, unionization and poor demand for many business-related professions lead to high unemployment among educated young people Policies for unemployment and protection of employee rights improved but were not fully implemented. Insurance and pensions needed to be reformed Greater demand for tertiary education spawns controversy over private university education – a great deal of income spent at foreign universities

Table 6.3: The path of the labour institutions (education, training, unions) with indicators by Hotho (2009) (evidence from Prouska and Kapsali, 2011)

Trust and relations with authorities	**1830-1900** **Unregulated power distance– family craft and trade businesses**	**1900-1974** **Formation of structures – some medium-size industries – majority**	**1974-2010** **Structures continue to bear power conflicts** – employer/employee regulations, efforts for gender equality and similar policies only partially implemented – marginal unemployment policies – family businesses continue to dominate
Business practices of authorities – power distance **Willingness to delegate decision-making** **Faith in formal institutions**	Bavarocracy, the rule of patronage and bribery Autocratic leadership and family-oriented structures – great power distance, not much delegation Trade, shipping, no industrialization, short-term orientation and opportunistic emergence of industry	Bavarocracy lives on, the state becomes the main employer Small family businesses dominate the private sector Start of larger enterprises/demand for more professional expertise Social divisions/great power distance between public and private workers and employers	Public sector organizations, the state is now the largest employer that generates debt SMEs unable to work in cooperatives or clusters due to lack of intermediary institutions and mistrust/greater distance between SMEs and larger oligopolistic firms Labour and social security policies still not fully implemented – great power distance – autocratic practices /series of strikes and industrial actions

Table 6.4: The path of the firms' institutionalized practices with indicators by Hotho (2009) (evidence from Prouska and Kapsali, 2011)