

The delicacy of the Entrepreneurship and SME development in the axis of Ankara - Athens⁴⁵

Greece, the oldest EU Member Country in BSEC

During the 50s and 60s, growth in Greece was based on the development of a significant range of heavy industrial activities as well as on the flourishing of a spectrum of industries that composed the traditional basis of the Greek industry (textile, food, and beverages). Later, Greek economy faced several crises as it fell behind European member states in terms of productivity and competitiveness. Throughout the 80s and 90s, labor productivity growth in the business sector deteriorated and growth rate in manufacturing was at a slower pace than that

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in the economy-wide level. The basic element of the transformation in the Greek industry has been technology transfer via import of capital equipment, foreign direct investment, and licensing. Technology transfer was considered one of the main tools to improve competitiveness of Greek firms, especially during a period of globalization of competition, of integration into the European Community (Union) and trade liberalization. Low export intensity of recipient firms, the weak performance of Greek manufacturing, and the increasing deterioration of the competitive position of Greece in technologically advanced activities, raise serious questions about the extent to which Greek firms succeeded to exploit technology transfer in order to upgrade their technological and organizational capabilities (Giannitsis, 1991). The main concern of Greek industrial policy during the last 20 years has been to deal with the problems which occurred as a result of globalization, and to establish a new framework of policy intervention within the context of the European Union. In accord with this framework, SMEs are accepted as the heart of government policies on business environment. The role of SMEs in Greece economy can be summarized as follows:

- Number of SMEs in Greece exceeds 733,000.
- 99.55% of the total number of enterprises employ 50 persons and below.
- The number of SMEs with 1-9 salaried workers is 321,000, making up 43.8% of the total amount, with 508,000 salaried workers or average employment of 1.6%.
- 2.2% employ from 10 to 49 salaried workers (the majority of the enterprises in this category employs less than 20 people) or 2.2% employ a total amount of 303,000 workers with average

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employment of 18.8%.

- The number of SMEs with 50 to 249 salaried workers is up to 2,200 or 0.3%, with the average employment of 100.9.
- 53.7% do not employ any salaried workers and employ 11 people on average, where their family members work.
- These enterprises employ 74% of the work force of the private sector.
- SMEs provide 70% of the new jobs, reinforce the regional development and financial balance of the regions and contribute to the cohesion of financial and social link in Greek society.
- Big enterprises with over 250 employees cover only 13.5% of the employments with 230,000 salaried and in total SMEs employ 1,695,000 people, of which 712,000 on average are salaried.
- Proportion of the employment in SMEs to that of big enterprises is 87.5% to 13.5% and as far as salaried work is concerned, 75% to 25% or 3 to 1

In other words, "micro-enterprises with 0-9 employees and in total 943,000 employees, self-employed or salaried, cover 55.6% of the employment, small enterprises with 10-49 employees cover 18% of the employment with 303,000 people, of which 287,000 are salaried, and the medium-sized from 50-249 people cover 13% of the employment with 222,000 salaried. In total, the SMEs employ 1,695,000 people, of which 712,000 on average are salaried. The main volume of employment is and of salaried work is found in SMEs and especially in enterprises with 1 to 20 employees."⁴⁶ To elaborate SME performance, several facilities have been organized such as factors. To elaborate SME

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performance, several facilities have been organized such as European Conference on Europe's entrepreneurial future, Ministerial Meeting regarding small businesses and business entrepreneurship etc., and regulations have been implemented, such as the improvement and simplification of the legislation, limiting the number of overlapping regulations etc. by the Greek Government. The results of these studies can be seen in current policies and implementations of the Greek Presidency that has worked towards the development of a more favorable environment for SMEs. In particular, the locomotive role is played by the Ministry of Development (MoD) that influences the SME environment as well as general standards; supports the establishment of new firms, and supervises the Hellenic Organization of Small and Medium Sized Enterprises and Handicraft (EOMMEX), which has a long experience in the design and implementation of support measures and initiatives in favor of SMEs. As part of a broader policy for the improvement of the business environment, the MoD has already issued a set of 31 actions in support of enterprises, especially SMEs, which are constantly being upgraded and expanded. Selected recent initiatives to develop SMEs and their role in Greece are presented below (Komodromou, 2007).

National Council for SMEs was established to determine national policy and coordinate the related activities of policies implemented by all Ministries in order to take into consideration the needs of SMEs. A new Investment Law was enacted to stimulate the potential of industry, especially that of SMEs. In addition, Tax Law was enacted to provide reduction of the tax factor for the undistributed profits. Procedures

⁴⁶ http://www.eommex.gr/english/SME_in_Ellas/sme_sector.htm

were simplified and funds were increased in favor of SMEs. Installation of businesses in organized areas, creation of business incubators and technological parks to facilitate and simplify knowledge sharing and network activities were supported. Several steps were taken to improve the quality of SME products, production processes, and manpower. Manufacturing and service sectors have been promoted to introduce ICTs to their businesses. The Business and Entrepreneurial Areas Network (VEPE) is being expanded and upgraded, along with the revision of the underlying legal framework. Currently, 52 VEPEs are being developed or upgraded throughout the country. Four program cycles have already been completed or are in full operation in support of youth and female entrepreneurship. Additionally, three more program cycles are active in support of entrepreneurship for People with Disabilities. Moreover, actions are being promoted by the General Secretariat of Youth, with the aim of improving the business environment and encouraging young and prospective entrepreneurs, while modules on entrepreneurship have already been included in the undergraduate curricula of higher education institutions to set up their own business.

Therefore, the role of entrepreneurship promotion and its realization in the form of setting up businesses has been recognized as a way to: reduce unemployment, especially among young people; improve competitiveness; and achieve higher rates of economic development by the Greek government. Although similar or lower level initiatives have been applied for a number of years, their impact on the participating bodies and the Greek economy in general is not clear enough due to lack of evaluation. Thus, while it is a fact that Greece has tried to improve its supports to its SMEs, it has been late in evaluating and benefiting from its policies.

LEGISLATION AND STEPS OF DOING BUSINESS

Improving competitiveness is currently one of the highest priorities in Greece and the greatest challenge for economy. For this reason, the Greek Government is pushing forward with the relevant legislation in order to reduce unemployment, improve competitiveness, and achieve higher rates of economic development. Selected major laws, decrees, ministerial orders etc. for promoting SMEs are stated as follows:

The Investment Law (L.3299/2004) provides a set of incentives for attracting private funds to priority sectors such as innovative and advanced technology products and services, facilities for applied and industrial research, the development of technological and industrial plans, software development, and tourism installations. Increased incentives are provided for SMEs and regional development. The current legislative framework for Public Private Partnerships (L.3389/2005) is already being exploited. This action aims at creating business infrastructure to the benefit primarily of SMEs at limited cost for the state. The new bill on the simplification of the licensing process for manufacturing companies (L.3325/2005) has been enforced. Societes Anonymes has been ratified that reforms, amends, and completes the current legal framework in accordance with European legislation to improve the business environment by simplifying the procedures for setting up a business, and reducing the red tape. A new bankruptcy code, covering all cases of insolvency, has been ratified, which focuses less on organizing the break-up or death of a business and more on keeping businesses alive and giving a second chance to those who go bankrupt in good faith. Law 3419/05, which modernizes the framework for the operation of Chambers and establishes General Commercial Record, has already been voted to provide a swift and flexible licensing procedure for commercial enterprises through the

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Chambers of Commerce (one-stop-shop). The call for the creation of the National Observatory of Commerce has been announced, which establishes a mechanism for collecting and analyzing data on the commercial sector and the companies operating therein. Moreover, in accord with Law 3377/2005 on the operation of commercial entities, the National Council of Electronic Business has been formed and an Executive Committee has been appointed. Law 3296/2004 -concerning the deduction of expenditures made for scientific and technological research from the enterprises' profit- is currently under implementation. As part of the tax reform, the corporate tax rate will be progressively reduced from 35% in 2004 to 25% in 2007, while for smaller firms from 25% to 20%. Law on bridging research and technological development with production (Law 2919/2001) enables new research centers, institutes, museums, research councils and high-tech venture capitals to be founded. Furthermore, some of the recent important policy documents are presented below in Table 37.

Table 37: Recent Important Documents

Title of document	Date	Type of Document
SDP for Research, Technology and Innovation 2007-2013	2007	Consultative Document
National Reform Program 2005-2008: Implementation Report 2006	2006	Official Government Report
Institutional Framework of Research in Greece	2005	Consultative Document
Towards the knowledge Economy. Roles and Perspectives	2003	Consultative Document
Financial support of knowledge-intensive businesses/spin-off companies (Presidential Decree 17)	2001	Presidential Decree
Operational Program "Competitiveness"	2001	The Operational Program "Competitiveness" operates within the 3rd Community Support Framework 2000-2006 and includes 9 priority axes.
Technology Foresight in Greece	2001	The document "Technology Foresight in Greece" is subsumed in the frame of the Operational Program "Competitiveness" 2000-2006.

Source: Cordis⁴⁷

⁴⁷ <http://cordis.europa.eu/erawatch/index.cfm?fuseaction=ri.content&countryCode=GR&topicID=33>

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Table 38: Doing Business

No:	Procedure:	Time to complete:	Cost to complete:
1	Get approval of the company's name by the Chamber of Commerce and Industry	1 day	EUR 33
2	File company documents with the Athens Bar Association	1 day	**
3	Sign the articles of incorporation before a notary public	5 days	EUR 1,000 (Ranging from EUR 740 to EUR 1,320)
4	Deposit capital in a bank	1 day	no charge
5	Pay the capital tax on the concentration of capital to the local Tax Authority	1 day	Capital tax, 1% of capital
6	Obtain a stamp from the Lawyers' Pension Fund	1 day	EUR 30 cents (cost of the stamp to be affixed)
7	Obtain certification by the Lawyers Welfare Fund	1 day	EUR 5.8
8	Submit the Articles of Incorporation and register with the secretariat of the Court of First Instance, which issues a register number	1 day	Minimal charges of approx. EUR 5 for photocopying and stamp dues
9	Submit summary of the Articles of Incorporation to the Printing Office for publication in the Official Gazette (Fyllo Efhmeridas ths Kyvemhsews)	26 days	EUR 271.80
10*	Register at the Chamber of Commerce and Industry	1 day, simultaneous with procedure 9	EUR 146.48 + 2.4% stamp duty
11*	Register with the relevant social security authorities	1 day, simultaneous with procedure 9	No charge
12*	Obtain a Tax Registration Number (AFM)	1 day, simultaneous with procedure 9	No charge
13*	Make a seal	1 day, simultaneous with procedure 9	EUR 40
14*	Have the Tax Authority hole-stamp the company's invoice and account books	1 day, simultaneous with procedure 9	No charge
15*	Notify the Manpower Employment Organization (OAED) within 8 days of hiring a worker	1 day, simultaneous with procedure 9	No charge

* Takes place simultaneously with another procedure.

** Detailed information can be found in the Source

Source: Doing business⁴⁸

SME SUPPORT INFRASTRUCTURE

“The strategic goal of the Government’s policy on SMEs is to release their vast potential for improving competitiveness, increasing employment, enhancing economic growth and improving social cohesion”.

⁴⁸ <http://www.doingbusiness.org/ExploreTopics/StartingBusiness/Details.aspx?economyid=77>

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(National Reform Program 2005-2008, Implementation Report, 2006). To facilitate such activities, several organizations and implementations are provided by the Greek government. The scope of National Council of Small and Medium Sized Enterprises, which makes proposals to the competent state organizations regarding actions and policy measures in support of businesses and SMEs in particular, has been improved. Centers of Entrepreneurial and Technological Development (KETA) are peripherally organized structures directed by the MoD, whose role is to inform and support the local enterprising community on the basis of their individual needs. Investor Reception Centre (KYE) –there are 52 of them, one in each county of the Country- informs entrepreneurs and future investors about the relevant legislation and the required documentation for every business category; also receives applications and coordinates bureaucracy procedures. Hellenic Centre for Investment (ELKE) is the national investment agency responsible for promoting, attracting and supporting foreign direct investment into Greece; as well as informing investors on investment opportunities, providing information and guidance on procedures required by central and local authorities, assisting in securing the necessary licenses and providing personalized assistance and advising the investor to ensure smooth implementation throughout the investment process. New Economy Development Fund (TANEO), Guarantee Fund for Small and Very Small Enterprises (TEMPME) facilitate the access of small and very small enterprises into the financial system of Greece via providing guarantees and counter-guarantees, and undertaking part of their financial and commercial risk. Additionally, in order to provide flexible funding mechanisms for SMEs, the establishment of Venture Capital Funds, Seed Capital Funds and Business Angels is being supported. In addition, VEPE is being expanded and upgraded, while new

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legislation is being enacted in order to turn the above network into modern business parks. The national legislation has been amended and CSF (Community Support Framework) funding procedures for SMEs have been simplified in order to reduce the administrative burden and to handle more effectively the increasing participation of SMEs. The National Observatory for SMEs has been established in order to monitor the developments as far as the competitiveness of SMEs is concerned. Furthermore, studies for improving two SME Research and Analysis Institutes by SME bodies (GSEBBE, ESEE) are still continuing. Of particular significance is the role of the Hellenic Foreign Trade Board (HEPO) that has been actively promoting Greek exports and is playing an increasing role in coordinating export activities in the periphery and facilitating the openness of SMEs. From 2004 until the end of 2006, HEPO implemented 210 actions for the promotion of Greek products. Operational Program "Information Society" (initiatives "Go Online", "Meteho", "and Go electronically" etc.) introduces internet to small and very small enterprises. Also, several measures are implemented in Greece to facilitate and increase innovative capacity of SMEs. Some of them are presented below:

Reinforcement of SMEs in subcontracting: The scheme supports the SMEs for developing subcontracting in the manufacturing sector. The aim is to accelerate their modernization and become more competitive.

Regional Innovation Poles: The program aims at the development of research and technological activities in business enterprises, the reinforcement of innovation in SMEs, and the development of the public research and technological infrastructures of regional interest, related to the priorities of the poles.

Metecho: It addresses the problems of small firms employing 2 to 10 people and operating for more than one year. It subsidizes the adoption of the information and communication technologies through projects of EUR 4,000 to 100,000.

FINANCING START-UPS

Greek VC market started to develop after 1997. Since then, Greek government has made several attempts to provide incentives for the growth of the VC industry and to set a Regulatory Framework that will promote the smooth operation of the market. The national legislation has been amended and CSF provides a large part of funding and simplified procedures for SMEs in order to reduce the administrative burden and to handle more effectively the increasing participation of SMEs. A legal framework was established in Greece, with the enforcement of Law 1775/88, which introduced the Venture Capital Provision Firms (EPEK). With Law 2367/1995, the first law was amended in order to support the development of VC and PE market and EPEK was renamed with Venture Capital Firms (EKES). To boost the VC Industry, a new legislative regulation was introduced in 2002, by Law 2992/2002 and also paved a way for the establishment of AKES which is a closed-end VC mutual fund, formed as a partnership. Lastly, Law 568/2005 was enacted to foresee the establishment of the Digital Leap Fund, which is a State sponsored VC fund and aims at facilitating entrepreneurship and the development of new businesses, by financing with EUR 100 million either ICT business start-ups or ICT-related business start-ups.

Private VC started to emerge -either as affiliates to large banks or as initiatives of financing institutions-, commercial banks began to act as

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intermediaries from the Operational Programs to SMEs and micro-enterprises. At least 14 organizations are directly/indirectly engaged with financing start-ups. One of them is TANEO -Fund of Funds, in which the only investor was Greek government, but later on, the fund also raised private capital-, whose aim is the minority participation in closed-end Venture Capital Funds (AKES), Venture Capital Companies (EKES) and similar VC organizations (Overview, 2007). TANEO focuses on providing support for knowledge-based, technology intensive and innovative activities. The full utilization of TANEO's potential will start in the forthcoming funding period and it is expected to act as a contact link between Greek and foreign enterprises. The fund's budget stands at EUR 150 million, of which EUR 45 million is public contribution and it is intended to be transferred in the 4th CSF. Another one is Credit Guarantee Fund of Small and Very Small Enterprises (TEMPME) that is fully operational with an equity capital of approximately EUR 250 million, 33% of which is public expenditure. It helps SMEs (with up to 30 employees) to gain access to credit and until February 2007, 1857 SMEs have received credits of a total budget of EUR 44.99 million. These two funds will become more specialized during the forthcoming planning period 2007-2013. With an aim to provide new flexible funding mechanisms for SMEs, the establishment of VC Funds, Seed Capital Funds, and Business Angels is being promoted. Particular emphasis is placed on providing indirect support to innovative SMEs in the trade and services sectors and to new businesses emerging from the utilization of research output. Moreover, support for spin off companies are provided through a pre-seed funding scheme (PRAXE A), according to which, individuals can submit proposals for scooping a new idea and developing a business plan and financing a mature business plan, through the scheme PRAXE B.

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Greece has a relatively favorable legal and tax environment for the development of the VC since the Greek VC ranks in the upper half of the European classification in Benchmarking European Tax and Legal Environment (2006); and holds a satisfactory position in terms of how easily accessible funding is for enterprises; and the degree of support that banks offer to enterprises in terms of banking and financial services. However, the sector has not achieved sufficient maturity in terms of VC and Private Equity (PE). "Taking into account the Private Equity investment as percentage of GDP, Greece is ranked in the nineteenth position among the EU countries for 2005, far below the European average" (Overview, 2007). For instance, Greece is ranked in the lower places among the EU countries regarding the amount of VC investments in high-tech sectors. The details and availability of VC investments can be seen below:

Table 39: Venture Capital Investments (2006, Total)

Sector	Invested Capital in 2006 (in thousand €)	Number of investments 2006	Total invested Capital (in thousand €)	Total number of investments
Software, hardware, internet	1030	3	52,967.69	31
Communication	1570	2	25,223.57	10
Electronics	900	2	4,900.00	3
Biotechnology	145.5	1	3,145.50	2
Medical devices	4500	2	14,280.50	7
Pharmaceutics	0	0	14,759.14	4
Food	4000	2	31,870.60	14
Services	9150	2	34,859.57	13
Other	25330	6	122,991.70	41
Total	46625.5	20	304,998.30	125

Source: Overview, 2007

TASKS FOR IMPROVEMENT AND FURTHER DEVELOPMENT OF THE SME SECTOR

Promotion of specific financial tools and funds to support new entrepreneurs shall be developed as the funding problem appears for entrepreneurs who seek funding in excess of EUR 150,000.

Special attention must be given to encourage the development of the so-called micro enterprises such as, handicrafts, firms with less than 5 employees in every sector of the market, being production, services, tourism, etc.

The lack of mobilization is the weakest element in the innovation – research and technology system, and reflects general structural weaknesses in the production base, e.g. small enterprises, traditional branches, extremely limited workforce in fields generating technological innovation, technological transfer, in-house development, lack of high-level scientific staff in enterprises, risk prevention.

Although courses are being held for further training of teachers who will teach entrepreneurship in technical schools and institutions for vocational training, these measures still need to be developed in this area as they are still sporadic.

Creation of a favorable environment through a process of collaboration of government bodies, enterprises, teaching, and research institutes in order to upgrade the quality of various specialized programs need to be accelerated.

Clusters' links and collaborations with local educational and research institutes shall be developed to upgrade quality and create specialized programs addressing cluster needs.

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Demand for engineers, scientific executives, and ICT specialists is expected to rise significantly in the following years. There is a need to develop links between universities and business to satisfy these needs.

Although a law was adopted on life-long learning, which is expected to systematize the existing frameworks for education and training, there is still the need to improve measures that shall be taken to respond to the challenges of life-learning.

In the area of bankruptcy and restructuring procedures and to promote making a fresh start, more action is needed.

Greece started to receive reduced EU funding after 2006 and faces intense competition from EU accession countries. Therefore reforms, implemented by Greek governments, shall be accelerated to catch-up other countries that started much earlier if growth is to be sustainable.

Creation or initiation of the so-called GREEN mutual fund instrument, which helps enterprises dealing with ecological products and policies and operations, shall be developed.

In the promotion activities, all kinds of promotional tools and means that are able to foster the international business relations should be envisaged.

The existing network schemes currently look complicated and in some cases overlapping each other. Therefore, their role and support for SMEs are in question.

Although business expenditure on R&D (BERD) is not only a way for businesses to launch new products and processes, measures introduced should be improved for increasing BERD and SMEs innovating

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in-house, at least to establish a way to improve their absorptive capacities and hence facilitate an effective innovation diffusion process.

The greatest part of Research and Technology Development activity is financed from public expenditure, whereas the business sector is lagging behind dramatically, particularly, the highest proportion of business expenditure on RTD comes from large and medium-sized enterprises, although they make up a small proportion of the total of enterprises. Therefore, Greece should not only increase its ratio of private to public expenditure but also the contribution of small sized enterprises in RTD activities.

Sufficient participation of the business sector, especially SMEs, in innovation governance process shall be provided

Simplification or unification of licensing, documents, reports, procedures, etc. where possible, shall be continued without lowering the quality level. Measures shall be taken to encourage related parties for changes.

Regarding Broadband Action Plan to 2008, falling prices and the initiatives taken by service providers have led to an increase in the penetration rate from 0.47% at the end of 2004 to 2.67 in June 2006, though there is a need for further study in this area to provide further spread of broadband in regions where citizens and businesses currently have difficulties in gaining broadband access.

The measures aiming at increasing electronic governance implementation, creating one-stop shops for the better service to citizens and enterprises, as well as for the use of the internet for commercial purposes (e-commerce) should be improved.

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Necessity-based entrepreneurship is still high due to the long-term development of Greek businesses, rather than opportunity and/or corporate entrepreneurship. Greece should not only develop better employment opportunities, but also create favorable conditions for the transition from a small or medium-size "family business" to a "professionally managed" business.

Out of all entrepreneurial endeavors made in Greece, 16.14% can be characterized as high-potential (contributing to market expansion, new job creation, increasing export orientation, etc.), which means, in the following years, very few activities are expected to create more than 20 new jobs (per activity). Thus, Greece should develop its entrepreneurial activity type and quality.

Greece's entrepreneurship problems also include weaknesses with regard to the long-term development of Greek businesses and the transition from a small or medium-size "family business" to a "professionally managed" business.

Small size enterprises face with a relatively low production potential and a difficulty to operate within the global market due to lack of specialization and limited use of economies of scale in product manufacture and trading; limited capacity for high-volume investments in new technology equipment; difficulty of following developments in domestic and foreign markets; lack in information and in many skilled labor categories; and difficult access to the banking system.

The measurements related with ICTs should be accelerated to improve contributions of new technologies in the productivity of the Greek economy and in the quality of the daily life of citizens.

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Labor productivity, especially in SMEs, should be increased via dealing with entrepreneurial problems (red tape, regulatory interventions), lack of competition, the small size of enterprises, lags in adoption of new technologies, and weaknesses of the education system.

Funding mechanisms for SMEs such as VC, PE funds, seed capital funds, and business angels should be developed, especially for high-risk companies.