HRM Practices in View of Internationalization. Evidence from Business in Greece

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ABSTRACT
The Greek business context is mostly dominated by small family enterprises, which function under traditional management methods. Nevertheless, a cluster of Greek-based companies has been detached from the mainstream by means of striving to go global. To this end, modernization of management and an emphasis on the human factor seems indispensable to them. On the other hand, in the recent years a lot of multinational subsidiaries have been entering Greece, bringing along with them generic human resource practices applied by mother companies. Influence of national culture necessitates a high degree of flexibility with regard to adaptation and application of outlandish human resource approaches. This paper constitutes a literature review of human resource developments in the Greek context. Its main objective is to examine the impact of national culture on HR practices applied in the recent years. On the other hand, aim of this paper is also to assess the extent to which national culture has been affected by the 'modus operandi' of influential corporations functioning within the Greek context.

Keywords: HRM, Greece, culture, globalization, multinationals

JEL Classifications: M51

1. INTRODUCTION

Globalized economy of today is designated by an intensifying endeavour of enterprises to obtain a competitive advantage by expanding worldwide. The decision to go global appeared imperative to the more advanced cluster of Greek corporations. Greek companies have expanded mostly in the Balkans, Central Europe, Turkey, and Egypt, in the sectors of telecommunications, food & beverages, oil, and textiles. Nevertheless, in the recent years banking has constituted the spearhead of globalized business activities, as recent data shows that more than 35 percent of the personnel of Greek banks are already employed abroad, and in the next three years this percentage is estimated to surpass 50 percent (Papadoyannis, 2006). On the other hand, many foreign multinationals (MNCs) consider Greece as the main gateway to the Balkans, therefore they have been taking appropriate positions. From the above, it has become apparent that human resource management (HRM) has become increasingly important within the Greek business context.

The imperative need to do business all over the world has led to the emergence of international HRM as a distinct discipline, in an attempt to match HR principles to the cultural features of nations. MNCs in
particular have to co-ordinate activities of subsidiaries and units dispersed worldwide. It has been alleged that MNCs have become “placeless”, meaning that national identity of the corporation is replaced by the commitment to a single unified global mission. Scholars have gone as far as to foretell the advent of a global culture, which is going to substitute national identity (Geppert and Williams, 2006).

Mode of application of HR methods and techniques within the Greek context is of particular importance. By reviewing existing literature, this paper attempts to assess the extent of diffusion of international HR practices within the Greek context and to examine their impact on culture and society. Importance of this study lies in providing a synthesis of diverse approaches followed by researchers. HRM scholars tend to focus on classic topics like selection, performance appraisal, and compensation. On the other hand, social scientists emphasize on labour market issues, tending to downgrade managerial implications. This study attempts to abridge approaches of the two disciplines by offering a framework for integrating HR issues with the social context in Greece.

2. CULTURE AND SOCIETY

In order to demonstrate the impact of HRM on the Greek working environment, a brief analysis of the socio-economic context is necessary. By the beginning of 20th century, classic theorists including Weber, Durkheim, Marx, and Tönnies, maintained that society was undergoing a radical transformation generated by the industrialization of production and by the bureaucratization of the state. While disputing over the content and meaning of social change, all converged on the fact that transformation of community-centered societies to rationally organized ones was inevitable. Tönnies (1955) introduced the terms of Gemeinschaft and Gesellschaft, most frequently used by social scientists. By applying the typology of Tönnies, it is proposed that Greek society has departed from a communal/tribal societal type, but without having yet reached a rationally developed one (Patiniotis & Stavroulakis, 1997). In this respect, the concept of the family is a key one to the argumentation that follows.

Family ties have loosened, but the family still constitutes the fundamental nucleus of the Greek society. Importance of the family is underpinned by the apparent weakness of voluntary citizens’ welfare associations purported to function as intermediate protective layers between the family and the state. Therefore, the family has to absorb all vibrations inflicted by the state bureaucracy and/or by the working environment (Fukuyama, 1995). One should expect that the prevalence of a “familial” social organisation would cause a high societal sensitivity to family values (Becker, 1995), also that the family business might constitute the social tissue that strengthens societal cohesion. In Greece instead, a hybrid of the “Montegrano model” (Banfield, 1958) seems to unfold, by which families survive and prosper by striving against one another, as well as against the state. Fukuyama (1995: 99) remarked that (in a low-trust society) “people will fear and distrust the government, while simultaneously believing in the need of a strong state to control their fellow citizens”. Triandis et al, (1968) have shown that Greeks tend to demonstrate devotion and co-operation to those considered as “in-group” (relatives and close friends), whereas the rest (out-group) are confronted with
hostility and competition. The state authorities apparently belong to the “out-group”.

Globalization affects more severely the less developed economies like the Greek one because they are more dependent on foreign capital and therefore they are more exposed to economic crises (Tselekides et al., 2003). Moreover, economic restructuring and adaptation constitutes a particularly arduous process, as it may involve the eradication of long-standing economic processes and the marginalization of previously thriving sectors, such as agriculture and textiles. Economic turbulence is directly reflected to society; persons affected by economic changes are likely to stick to traditional beliefs and values. A cultural divide has emerged, artifacts of advanced globalization co-existing together with relics of tradition.

This brief analysis would be incomplete if not mentioning attitudes toward work. Freud has defined mental health as the ability to love and work (Erikson, 1963). As early as 1648, Massachusetts legislated against idleness, considered as a publishable crime (Schor, 1992). Philipson (2002) introduced the term “married to their jobs” to describe the propensity of contemporary Americans to seek self-fulfillment in the world of work, isolating themselves from family and friends. When attempting to investigate attitudes of Greek people toward work, however, one should rule out the protestant ethic approach. The difference with the American trend lies in the fact that the mainstream of Greek employees definitely has not embraced work as an integral part of life. Instead, work and leisure constitute two worlds apart. Contemporary phenomena in advanced countries like “presenteeism”, by which employees refuse to take their vacation due to work obligations, are rather irrelevant with regard to the Greek workplace.

3. DEVELOPMENT OF GREEK BUSINESS

Industrialization in Greece was initiated in the decade of 50s, reaching its peak by the early 70s. Political situation had favored the establishment of a small number of large monopolistic industries. According to Louri and Pepelasis-Minoglou (2002), the Greek way towards industrialization can be designated as “hesitant industrialization”, owed to the prevalent socio-economic context, i.e. a poor rural country located in the periphery that exited WWII without having ever developed a sound industrial basis. Industrialists of this period had had relied on long-lasting state protectionism, neglecting to the end to modernize. During the 80s the socialist government continued to sustain unproductive industries, in an attempt to combat rising unemployment (Georgas, 1993). These so-called “problematic companies” had been abandoned by their proprietors after accumulating huge debts. Since the late 80s', however, a de-industrialization process has been under way, enhanced by a gradual slack of state protectionism, as well as by the emergence of globalization, allowing companies to relocate to more favorable socio-economic environments worldwide. Louri and Pepelasis-Minoglou (2002) maintained that a marking difference of Greek economic development from the respective of advanced countries lies in its incomplete transition from mercantile/familial economy to the joint stock/corporate capitalism; industrial activity has been declining without having ever achieved to impress its norms and ethics on economy and society. Greece, having been a rural country for long, still lacks business tradition and ethics.
From the above it is derived that HRM has a rather short history in Greece. The widespread trend of socio-technical organization of work, involving job enrichment and the formation of semi-autonomous work groups, in the 60s and 70s, remained unnoticeable within the Greek context. Forms of worker representation in company boards had been enacted in the early 80s in public-owned corporations, as well as in the problematic companies under rehabilitation. Nevertheless, benefits provided to employees emanated mostly from pressure exercised by the powerful trade unions, and did not aim directly at motivating personnel (Raftis and Stavroulakis, 1991). During this period the only worthwhile HRM endeavors in the private sector concerned the creation of quality circles in Teokar (a joint venture of the Greek holding company Teokharakis and Nissan), as well as in the subsidiary of Peschiney (Stavroulakis, 1997). Greek management seems to follow developments in advanced Western countries from a distance. A recent study (Myloni, 2002) showed that about 60 percent of Greek companies and 75 percent of MNC subsidiaries apply Management by Objectives (MBO), while quality circles have been introduced only in 13 percent of Greek companies and in 18 percent of MNC subsidiaries.

A “dualism” within the private sector is apparent (Makridakis et al., 1997), since the predominant form of business, the small family firm, co-exists with a dynamic cluster of multinational subsidiaries and corporations. As a rule, in family firms personnel practices used to be imposed by the founder-owner, who treated employees according to his subjective judgment. Responsibility for personnel issues in family firms was undertaken mostly by inexperienced family members. Most often the Greek family business reflects the family structure. Entrepreneurs in Greece have the propensity to demonstrate a paternalistic attitude to their employees. They tend to reward seniority more than individual performance; in addition, they appear reluctant to remove employees within the company, as well as to fire personnel (Makridakis et al., 1997). Recent data showed that actually Greek employees tend to stay for many years with the same company (Salourou, 2006). On the other hand, as a rule they refuse to relocate since a high percentage owns a house; they appear also reluctant to separate from the family (Kathimerini - Files, 2006).

Turning now to the typology of Tönnies (1955), it is maintained that Greek business bears both Gemeinschaft and Gesellschaft characteristics. With regard to the former, the following attributes have been witnessed:

- **Short-termism.** Short-term planning may be attributed to the pressing everyday problems that small firms face, as well as to environmental uncertainty, due mostly to the ever-changing economic legislation and taxation system. Short-term orientation of Greek industrialists is demonstrated by scarcity of business investments. Quite many entrepreneurs view their occupation as temporary, and acknowledging that they cannot stand competition in the long run, they may resort to speculations. In the recent years, however, at least the biggest companies seem to embrace a long-term approach (Theriou, 2004).

- **Resistance to change.** Quite often Greek entrepreneurs appear complacent, seeing no compelling reason to introduce innovations adopted by competitors abroad. Apart from multinational subsidiaries which were obliged by the parent companies to innovate to an extent,
the mainstream of Greek companies has the propensity to ignore, as not relevant, most of the ongoing changes around them (Makridakis et al., 1997: 386).

- **Decision-making.** Decision-making is highly centralized in Greek companies, CEOs pursuing involvement in most decisions (Joiner, 2000). Cummings and Schmidt (1972) found out that Greek managers, while praising participative management, at the same time showed little confidence in the capacity for leadership of other individuals.

On the other hand, the following probable Gesellschaft features have been noticed:

- **Cost cutting.** Cost cutting strategy has often been applied out of lack, or out of ignorance, of more promising alternatives. It is founded upon the comparative advantage of low labor cost that till recently Greece had enjoyed over advanced countries (Spanos et al., 2004); mass entry of immigrants has helped to sustain this advantage to an extent. There should be mentioned, however, that low-cost strategy is appropriate mostly to stable and predictable environments (Miller, 1988), such as the well-protected business context of the past. Turbulence of contemporary business environment has obliged a lot of traditional companies to search for more promising alternatives (Koufopoulos and Morgan 1994). On the relationship between business environment and company performance see Reklitis and Trivellas (2002); Athanassopoulos et al. (2000).

- **Orientation to rational/personal interests.** I refer to the fact that rarely did the average Greek businessman demonstrate evidence of social conscience and responsibility. Promotion of national and social interests through business activity, as happens for example among Japanese entrepreneurs, may appear extraneous to their Greek counterparts (with the exception of a small portion of the business elite).

## 4. HRM PRACTICE

In studying the interaction between national and organization value systems, Hofstede (1991) identified the value dimensions of Power Distance, Uncertainty Avoidance, Individualism, and Masculinity. Greece seems to have a cultural proximity to Turkey, Arab countries, Spain, France, and Belgium, while a huge cultural gap exists with regard to USA, Canada, and to Northern European countries (Kessapidou and Varsakelis, 2003, p. 289). Greece scored highest above all countries in the dimension of “Uncertainty Avoidance”. Organizations in uncertainty avoidance cultures are designated by a strong need for rules and regulations, by employee preference for unambiguous instruction from management, and by intolerance toward deviant ideas and behavior (Joiner, 2000: 233). Greece scored also high in the dimension of “Power Distance”, whereby organizations tend to embrace inequality. Employees show respect for authority, and their involvement in decision-making is minimal. Top management appears reluctant to delegate authority, but on the other hand the eventuality of undertaking responsibility is likely to generate counterproductive stress and anxiety to employees. Fear of making decisions (efthynophovia) has been documented by researchers of the Greek
business environment in past research (Joiner, 2000; Bourantas et al., 1990; Cummings and Schmidt, 1972).

Bourantas and Papalexandris (1992) studied attitudes of 588 Greek managers by applying the framework of Fons Trompenaars (1993). About 38 percent of the sample stated that their organization reflected characteristics of the Eiffel Tower culture (emphasizing on hierarchy and bureaucracy), whereas 36 percent believed that Family culture corresponded more to their company. By applying the Trompenaars framework, Joiner (2000) found out that Greek middle managers appeared quite at ease within a context designated by uncertainty avoidance and narrow authority lines. Decentralization initiatives were rather unwelcome, as they were thought to create additional work stress.

Following the typology of Handy (1980), Bourantas et al. (1990) explored differences between Greek-owned companies and MNC subsidiaries. Approximately 39.4 percent of the Greek companies and only 19.4 percent of MNC subsidiaries functioned along the Zeus (patriarchal) pattern. About 35.9 percent of Greek firms and 52.2 percent of MNC subsidiaries were found to adopt the Apollo type (role culture). Regarding Athena (task culture), these percentages amounted to 22.1 and 27.2 respectively. Finally, Dionysus (existential culture) was followed by 2.6 percent and 3.3 percent respectively. These findings corroborate the owner-centered orientation of the mainstream of Greek business.

Another study (Papadakis, 1995) examined strategic decision-making in Greek-owned companies and MNC subsidiaries. There was found that the former tend to follow less rational decision-making processes, to follow at a lesser extent formalized procedures when approaching a strategic decision, to rely less on formal financial reporting when elaborating a strategic decision, to function along less lateral communication (balanced participation between departments), and to experience more problem-solving dissension during initial stages of strategic decision-making.

A more recent study (Myloni, 2002) focused on the differences between MNC subsidiaries and local corporations in Greece. Greek corporations were rather short-term oriented compared to MNC subsidiaries. With regard to selection, Greek companies relied more on formal qualifications, whereas foreign-owned firms attributed more importance to personality traits such as co-operation, initiative, etc. Importance of recommendations and personal acquaintance was higher among Greek firms. MNC subsidiaries were likely to offer a more variable compensation package, including share options and individual bonus. Greek firms rewarded seniority, training level, and experience, more than foreign ones. Employees of MNC subsidiaries received considerably higher rewards than their counterparts of local firms, and the gap between the highest and the lowest salary was larger among them. Local firms tended to offer workplace childcare and career breaking schemes, while MNC subsidiaries provided extra pension opportunities. MNC subsidiaries applied written evaluation reports at a greater extent. In both cases, the employee’s superior was the key person responsible for appraisal, but in MNC subsidiaries the employee’s own viewpoint, peers’ view, and subordinates’ view, played also an important role. Favoritism during performance appraisal was found to be significantly higher in Greek-owned firms (Myloni, 2002).
A most important contribution in HR research was the GLOBE project, which explored the link between HR and societal culture in 19 countries in a longitudinal study (Papalexandris et al., 2002; Papalexandris and Panayotopoulou, 2004). Responses of middle managers proved quite interesting, as Greece scored very low among European countries in performance orientation, uncertainty avoidance and institutional collectivism (the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action), future orientation (the degree to which individuals in organizations or societies engage in future-oriented behaviors) and humane orientation (effort and practices which a society shows in support of human beings including generosity, concern, and friendliness). By contrast, high scores were marked with regard to assertiveness (the degree to which individuals in organizations and societies are assertive, confrontational, and aggressive in social relationships, family collectivism (the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families), and power distance.

Bourantas and Papadakis (1996) alleged that Greek management is on the way of overcoming past idiosyncratic flaws. They characterized Greek management as a western-type management style which has not yet reached the level of modernization, by means of delaying the adoption of scientific and analytic methods and techniques. Progress in the application of advanced HR techniques in the Greek context is demonstrated by the elevation of the Greek subsidiary of Colgate on the top, as the best European workplace of the year 2006.

Besides being most profitable, Colgate Hellas has developed an excellent workplace climate. About 40 percent of the employees have been with the company more than 15 years; voluntary turnover amounts to 3.3 percent only; absenteeism also ranges over very low rates (.3 percent in 2005). The company offers training days off, numerous sick days, extended annual holiday, early Fridays, and extra parental leave; new mothers can take up to 24 months off, well beyond the legal requirement of 15 months. About 30 percent of employees can work from home. Salaries, overtime and night shift pay are higher than the standards determined by national and sectoral collective agreements (www.greatplacetowork-europe.com). A Greek-owned company, Piscines Ideales was also included among the 100 best workplaces in Europe. Case studies of companies located in Greece which apply advanced HR policies have been reported in Nikolaou (2006).

5. CONCLUDING REMARKS

Review of the literature revealed enough evidence of convergence between HR practices of MNC subsidiaries and the advanced part of Greek-owned corporations. Even though statistically significant differences were identified, e.g. in hiring and rewarding personnel (Myloni, 2002; Myloni et al., 2004), the two clusters of firms demonstrate a rather homogeneous behavior. It seems that HR strategy of MNC subsidiaries has been appropriately adapted to cultural particularities of the Greek context. HR practices of this advanced segment of Greek-located business, however, are too remote from the respective of the family firm sector.

The issue to be explored is to what extent presence of this aggregation of powerful corporations which determine national economic
performance has managed to transform national culture and values. A tentative answer stemming from data presented above is that national culture and identity have not been altered substantially by the recent drastic economic changes. Findings of the GLOBE project (Papalexandris et al, 2002) are most helpful to this direction. In my viewpoint, low score in performance orientation is indicative of a communal/Gemeinschaft culture which may reward other attributes (e.g. compliance, commitment, proximity to power centres) more than performance; nevertheless, displacement of the performance factor on a permanent basis is likely to lead to business failure and to social disintegration. Highly individualistic, or clan character of the Greek society is underlined by the low score in humane orientation and in institutional collectivism, combined with the high score in assertiveness. It seems that the distinction proposed by Triandis et al (1968) between attitudes of Greeks toward the “in-group” and the “out-group” is still valid. Short-term orientation of Greek business has also been corroborated.

Finally, the case of Palmolive Hellas is illustrative of an adept HR strategy that has grasped in depth the mentality of the average Greek employee. As assumed in the previous, Greeks favor family life and free time; money cannot constitute a major motivator today since economic rewards are low and it is not possible anymore to make a fortune by one’s salaried work. Incentives offered by the company target exactly this point, which is extra time outside work. Following this trend, future research might probe on the relationship between HR practices and motivation. Results from the GLOBE project indicate that Greek middle managers are quite dissatisfied from their working environment. Does this imply that “adaptation” of international HR practices to Greek reality simply means lower salaries and less participation in decision making? What do employees need and what do they really get? Future research might prove most helpful to this direction.

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