Dual Convergence or Hybridisation? Institutional change in Italy and Greece in comparative perspective*

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Abstract

One of the observable implications of the influential VoC theory is the dual convergence hypothesis. Globalisation is not only expected to accentuate the differences between LMEs and CMEs, but also to force 'ambiguous' cases to follow a trajectory of change in one of these two directions. Southern European countries are considered as 'hard cases' for claims of institutional change: in the face of pressures from globalisation (and liberalisation) their 'hybrid' character should be weakening by 'moving' closer to one of the two ideal-types. The empirical part of this paper focuses on changes within two central institutional spheres for VoC theory: the industrial relations system and the system of finance and corporate governance. Italy and Greece are examined in comparative perspective *vis-à-vis* Germany and Britain, as proxies for the CME and LME ideal-types. The review of developments in the last two decades reveals that while industrial relations in both countries moved closer to the coordinated type, the finance and corporate governance system has acquired liberal market characteristics. Thereby, this analysis casts doubt to the dual convergence thesis showing that over the 1990s the 'hybrid' character of these countries was exacerbated. It is argued that the nation state is deeply problematic as a level of analysis, especially when trying to delineate an overall direction of institutional change. The paper concludes by suggesting that deconstructing 'capitalist models' into component institutions, and moving the level of analysis to lower levels (regional or sectoral) is not only a prudent strategy from a theoretical point of view, but also yields valuable methodological advantages.

Keywords: Varieties of capitalism; corporate governance; industrial relations; Greece; Italy.

Word Count: 8,094.

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1. Introduction

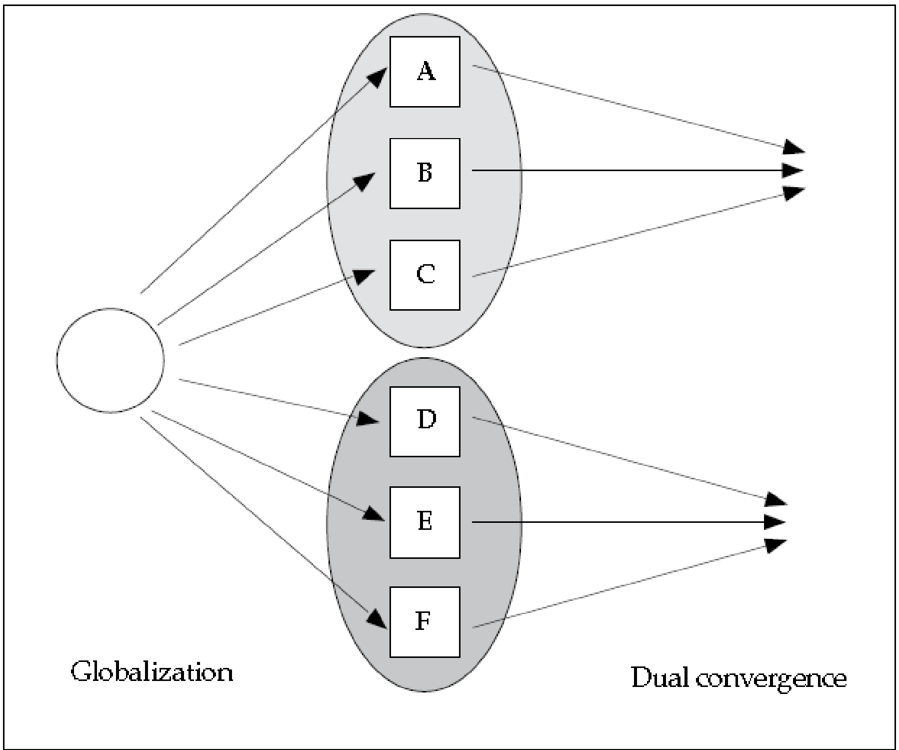
The last two decades witnessed an explosion in the literature on varieties of capitalism (VoC). Among other things, the literature re-launched with refreshing vigour the age-old debate between convergence and divergence (Goldthorpe, 1984; Kerr, Dunlop, Frederick, & Myers, 1960). The essence of the convergence thesis was that countries will eventually get into a common trajectory following a single 'logic of industrialism'. The same thesis appeared in the early 1990s in the guise of the 'globalisation debate' foreseeing convergence to the Anglo-Saxon model of capitalism. Scholars within the VoC literature provided a counterweight to easy arguments about globalisation (Crouch, 2005a) and effectively refuted the idea of an imminent convergence to a single model (Streeck & Thelen, 2005). Instead, they argued that there are more than one ways to achieve high performance in the global economy. The subsequent academic debate was largely structured around the two 'successful' models of capitalism dubbed as Coordinated Market Economies and Liberal Market Economies (Hall & Soskice, 2001a).

While the general argument echoed strongly older works in the literature (Albert, 1993) the landmark publication by Hall and Soskice elaborated on specific 'complementarities' that countries derive from the tight coupling of a set of institutions. These complementarities have been repetitively described in various publications and will not be repeated here as well (but see Hall & Soskice, 2001a: 17-33). What is important to emphasise is that complementarities denote a functional interdependence between different institutional domains including: the industrial relations system, the system of finance and corporate governance, the education and training system, as well as inter-firm and intra-firm relations. The argument goes that when these institutions 'cluster together' in specific combinations, then they produce increasing returns and contribute to high economic performance.

As a result of the above conceptualisation VoC effectively replaced the (single) convergence thesis with a 'dual convergence' thesis (Hay, 2004:235-238; Schelkle, 2008:4, fn4). The idea of 'dual convergence' follows the determinism of the single convergence thesis, albeit allowing for two options rather than the 'no alternative' type of argument. Since there are only two ways to obtain high performance in the new global context, the common pressures from globalisation are expected to accentuate the differences between Liberal and Coordinated Market Economies (see Figure 1). The interesting question that this raises is what will happen to cases (countries) that lie in an 'ambiguous' position?

The countries which are left in 'ambiguous position' included, according to Hall and Soskice, Southern European cases such as Italy, Greece, Spain and Portugal (2001a:21). A later work in this strand dubbed the term 'Mixed Market Economies' and emphasised the *misfit* between institutions and absence of institutional complementarities (Molina & Rhodes, 2007:225-226). The same countries have also been examples of what Amable (2003) called 'South European model of capitalism'. Having identified the ambiguous cases, the question then becomes: what are the implications of the 'dual convergence' for the direction of change of those countries?

Figure 1: The Dual Convergence Hypothesis



Dual convergence thesis.

Globalization produces a variety of common pressures to which competing models of capitalism are differentially exposed; this exposure tends to promote a dual process of convergence accentuating the difference between liberal market economies and coordinated market economies – in short, *globalization generates common pressures; these are refracted institutionally to produce a dual convergence.*

Source: Hay (2004:236).

If the dual convergence hypothesis is theoretically plausible, then we should expect to see ambiguous cases changing towards the one (LME) or the other (CME) direction. These cases are supposed to lack a coherent institutional arrangement and are construed as 'hybrids'. Crucially, when these countries are subject to pressures from globalisation (and liberalisation) their 'hybrid' character should be weakening by 'moving' closer to one of the two ideal-types. In principle, nothing precludes the possibility of becoming CMEs. However, there is an implicit assumption in the literature that it is harder for a country to become a CME, because of the 'sunk costs' associated with building trust-based and long-term relationships.

To sum it up, one of the observable implications of the VoC theory is the dual convergence hypothesis. Globalisation is not only expected to accentuate the differences between LMEs and CMEs but also to force 'ambiguous' cases to follow a trajectory of institutional change in one of these two directions. Southern European countries are considered to be 'hard cases' for claims of institutional change (Hall & Thelen, 2009:26). Therefore, they are most appropriate for a 'plausibility probe' to the dual convergence hypothesis.

The paper shows that institutional change in Italy and Greece is not taking place along the expectations of the dual convergence hypothesis. Despite the fact that both countries are subject to common pressures from globalisation (and liberalisation) they are not moving along a single trajectory of institutional change. Instead, different institutions are changing towards opposite directions. The empirical part of this paper tracks changes within two important institutional spheres: the industrial relations system and the system of finance and corporate governance. Italy and Greece are examined in comparative perspective *vis-à-vis* Germany and Britain, whereby the latter pair provides imperfect proxies of the CME and LME ideal-types.

The review of developments in the last two decades reveals that while industrial relations in both countries moved closer to the coordinated type, the finance and corporate governance system has acquired increasingly liberal market characteristics. Thereby, this analysis casts doubt to the dual convergence thesis showing that over the 1990s the 'hybrid' character of these countries was exacerbated. The paper concludes by considering the implications from this analysis. It argues that the nation-state is deeply problematic as a level of analysis, especially when gauging the direction of institutional change. Therefore, deconstructing 'capitalist models' into component institutions and moving the level of analysis to lower levels (regional or sectoral), is a prudent strategy from a theoretical point of view. Even more, it yields valuable methodological advantages.

The rest of the paper is structured as follows. The second section elaborates on the concept of institutional change and discusses some of the problems with approaches in existing literature. The third section examines developments in the industrial relations realm. It is shown that industrial relations in Italy and Greece became less adversarial and the state role has been reduced during the last two decades, while coordination increased moving towards the CME type. The fourth section explores changes in the system of finance and corporate governance. The liberalisation processes and the increased importance of equity-markets in Italy and Greece indicate a move towards the LME type. The fifth section considers the methodological implications of this analysis for further research and argues that delineating the direction of institutional change would benefit from deconstructing the 'capitalist models' and moving the level of analysis at a lower level. The final section concludes.

2. Institutional Change and Advanced Capitalist Economies

Institutional change is certainly an elusive concept. The statement holds for both sides of the phrase. For instance, what one could call as an 'institution' in everyday parlance may be quite different from what one would define as an institution in the context of scholarly work. North suggests that 'institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction' (1990:3). While still a very broad definition, it helps distinguish, as North does, between two basic types of institutions: on the one hand, there are *formal* institutions such as statute law, common law and contracts, and on the other, there are *informal* institutions such as conventions, codes of conduct and norms of behaviour (1990:6). In this paper we will look in two institutional spheres and try to track change both in formal rules and actual behaviour.

Turning to the concept of 'change' this might be equally a source of confusion, and result in diametrically opposed interpretations. As Streeck and Thelen (2005:26) argue, this has been especially the case with 'path dependence': scholars understand it *either* as very minor and more or less continuous change *or* very major but then abrupt and discontinuous change. Even more, institutional change within advanced capitalist economies has been an object of vigorous debate. One source of tension comes from the very essential idea of what 'counts' as change. Hence, Yamamura and Streeck (2004) note perceptively: 'If the only change recognized as fundamental is of a sort that is practically impossible, social systems are stable almost by definition' (cited in Culpepper, 2005a:174). This explains why the VoC typology has been criticised for 'blind spots' tending to see all feedback as sustaining and reproducing the system (Thelen & Van Wijnbergen, 2003). As remedy to this weakness, scholars have subsequently sought to integrate dynamic analysis to track and explain institutional change.

A first problem that one encounters when examining institutional change is how to operationalise it. For example, it is much easier to identify a change as such when institutions are 'measured' like binary variables, that is they are either present or absent. An example of such institutional change would be complete abandonment of industry-wide bargaining or what is called 'disorganised decentralisation'. In this case, the industry-wide bargaining is either present or absent. It is more difficult to capture the extent of change when the institution is 'measured' like an ordinal variable (i.e. differences in degree) and this is the case with most institutions. To stay to the example of collective bargaining, a shift in relative importance (scope) of industry-wide bargaining *vis-à-vis* firm-level bargaining is certainly an instance of institutional change (called 'organised decentralisation'). However, it is more difficult (but not impossible) to capture. To this end, several indicators have been devised, some of which will be used in the next section.

Another setback in understanding institutional change relates to the nation-state as a unit of analysis and the construction of ideal-types from paradigm cases. The function of a Weberian ideal-type is to provide a 'yardstick' against which empirical cases are contrasted. The problem begins when the ideal-type is not built deductively, but is built by 'reading back empirical detail from paradigm cases' as Colin Crouch (2005a:445-446) charged VoC with. In this event, institutional changes within the paradigm cases may shake the validity of the ideal-types themselves. For example, the establishment of a successful tripartite Low Pay Commission in Britain, which sets minimum wages in a 'spirit of social partnership' (Metcalf, 1999:175), is an institutional change that shakes the conception of Britain as an LME. This example appears puzzling for the dual convergence thesis, as it would expect Britain to become more of an LME over time.

With regard to typologies, Hyman (2001a:206) insists that it is necessary to recognise the 'capacity for change which permits national instances, so to speak, to 'switch boxes''. The problem manifests itself when the 'paradigm' cases (which are imperfect proxies for ideal-types) are changing in parallel with the 'ambiguous' cases. In this event, investigating the direction of institutional change (or whether ambiguous cases 'switched boxes') becomes extremely problematic. The (changing) ambiguous case is compared with the (changing) paradigm case and the comparison looks like 'chasing a moving target'.

An important caveat should be entered here. While in this paper I also present Italy and Greece in this 'comparative perspective' *vis-à-vis* VoC paradigm cases, the aim is not to highlight the merits of this approach, but to illustrate its problems. To be clear there are two ways in which one can understand the function of Germany and Britain in this comparison. The first way is as imperfect proxies of CMEs and LMEs respectively. This –I argue– is problematic, because the proxies are not immovable reference points but 'moving targets'. In this sense, the paper is an exercise that seeks to illustrate the problems of this approach. The second way is to perceive Germany and Britain as two interesting cases for their own sake. In this sense, the paper is a just another study looking at a few cases 'in comparative perspective' in line with a long tradition in comparative politics and comparative industrial relations.

Not surprisingly, the problems of adopting the nation-state as the unit of analysis do not end here. Pepper Culpepper (2005b:3) explains that the nation-state is the main unit of analysis in VoC, because 'many of the institutions emphasised in that literature depend on national level regulations'. Still, this justification does not preclude the possibility that this level of analysis conceals much *within case* variation. That is why Culpepper recommends shifting the level of analysis to the sub-national level (*ibid)*. This suggestion echoes similar views in the literature. Colin Crouch (2005a:440) doubts the centrality of nation-state as the main unit of analysis and argues that:

> Empirical cases should be studied, not to determine to which (singular) of a number of theoretical types they should each be allocated, but to determine which (plural) of these forms are to be found within them, in roughly what proportions, and with what change over time'.

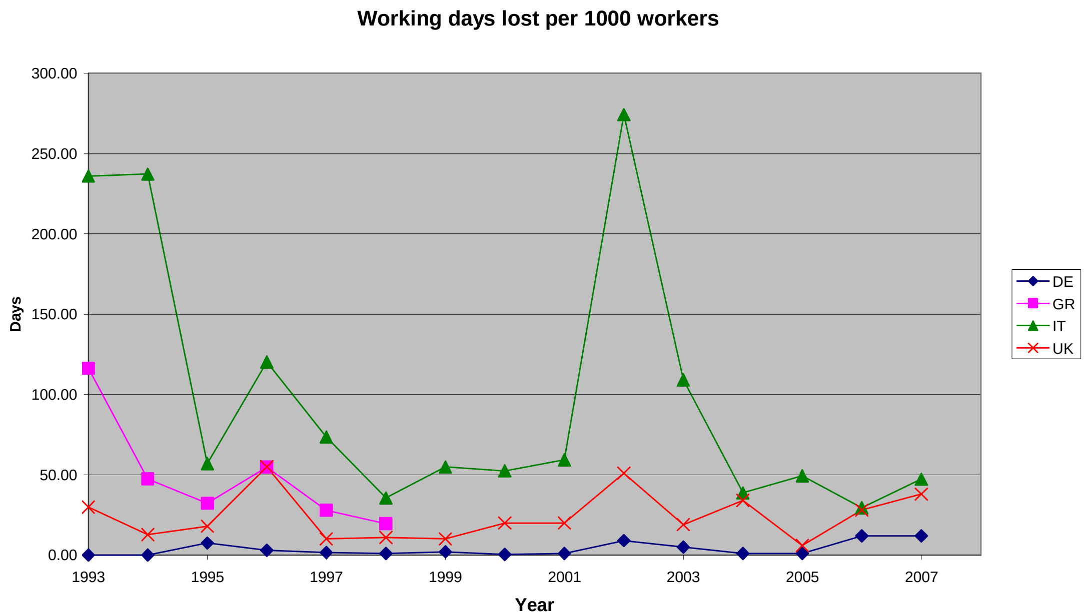
Exploring variation *within* cases would mean that the focus could shift to specific institutions, sectors or regions. Along these lines, Schelkle (2008) strongly argues that the ideal-types in comparative political economy and social policy have exhausted their usefulness, and that the analysis should take policy areas, instead of the nation-state, as the unit of analysis.

The problem of having the nation-state as the unit of analysis is previewed from the studies that look at Spain from a VoC perspective. For instance, Molina and Rhodes (2007:248) claim that 'In Spain…waves of liberalization and state retrenchment have tended to reinforce sub-system complementarities in an LME direction'. In sharp contrast, Royo (2007:49) argues that the 'trajectory of change [in Spain] parallels developments in CMEs more closely than those in LMEs'. These diametrically opposed conclusions beg the question: why scholars engaged with the same countries and investigating them for roughly the same period cannot reach the same conclusions? The immediate answer is that there must be something very wrong in the approach to, and interpretation of, institutional change. In sum, the rest of the paper has a twofold aim. First, it aims to provide a 'plausibility probe' for the dual convergence thesis. Second, it aims to illustrate the problems stemming from keeping the national level as the level of analysis. The next section begins with reviewing developments in the industrial relations system.

3. Industrial Relations System in Italy and Greece

Within established typologies of industrial relations systems and trade unionism, Italy and Greece would fall close to a model of 'Latin confrontation' (Visser, 2002:186) and trade unions could be conceptualised as 'radical/oppositional unions [focusing] on class' (Hyman, 2001b:4). Industrial conflict has been an endemic characteristic in both countries. The Figures below (2 and 3) chart two indicators of industrial conflict for the last two decades: working days lost and workers involved. Until 1998 (when data is available for both countries) the level of industrial conflict in Italy and Greece stood at similarly high levels, much higher than Germany or Britain. Still, if one compares these levels with the respective data from the 1970s-80s (in Kritsantonis, 1998:525 for GR; in Regalia & Regini, 1998:485 for IT), one can see that there is a trend towards decline in industrial conflict and stabilisation at historically lower levels (with the exception of the spike in Italy around 2002).

Figure 2: Working Days 1993-2007 in selected countries.



Source: Eurostat web-site, Labour Market, Labour Disputes.

Figure 3: Workers involved in Strikes 1993-2007.

Source: Eurostat web site, Labour Market, Labour Disputes.

In the recent literature of neo-corporatist revival, Italy has been portrayed as an exemplary case. Throughout the 1990s a series of Social Pacts set the pace of reform in the pension system, labour market and collective bargaining (Negrelli, 2000; Regalia & Regini, 2004). At first sight, Greece contrasts sharply with its poor record of only one social pact in 1997 (Ioannou, 2000) and several failed attempts in social dialogue unable to reach consensus with respect to labour market or pension reform (Featherstone, 2004:238-239; Matsaganis, 2007).

However, the poor record of Greece should be seen within a broader context. As Karamessini (2008:49) argues the national biennial collective bargaining agreements 'have operated as functional equivalents to social concertation'. This point can be justified on several grounds. First, the Italian collective bargaining system provides for two levels of bargaining: the national industry-level and the firm or territorial level of bargaining (Bordogna, 2003:286). Social Pacts could be construed as a third level where the three[1] major confederations engage in agreements with the government and/or the employers. In Greece the collective bargaining system provides for three levels of bargaining: the national general level, the national industry-level and the firm-level. The main function of the national general level is to set the minimum wages for blue-collar and white-collar workers. But at the same time, several non-wage issues have been negotiated in this level including equal opportunities policies, training schemes for unemployed, healthcare for unemployed, and health and safety at work. While health and safety issues were negotiated through Social Pacts in Portugal, the same issue was the object of national-level bargaining in Greece and was eventually delegated to the corporatist venue of the Greek Institute for Health and Safety at Work (ELINYAE). In other words, for issues where a social pact was necessary in some countries, in Greece a social pact was plainly unnecessary.

Second, there were indeed failed attempts for *ad hoc* social dialogue with respect to labour market and pension system reform in Greece, while similar attempts were successful in Italy. But the consensual reform of the Italian pension system should not strike as a surprising accomplishment. Trade unions hold the majority in the board of directors INPS (the institute that manages pensions) (Regini & Regalia, 1997:215) and their consent would be absolutely necessary for any change. Moreover, it is known that

[1] To be precise, some social pacts were *not* signed by the ex-communist/socialist CGIL.

pensioners (who have a direct stake at the system) comprise a large part of Italian unions' membership (See figures in Baccaro, Carrieri, & Damiano, 2003:45; Schmitter, 1995:311). One could further argue that failed attempts for *ad hoc* social dialogue are not unlikely, even in more 'corporatist' countries. Prominent examples here are the German failure for *Bündnis für Arbeit* and Swedish failure for *Allians för Tillväxt* (Hassel, 2003:709).

Thirdly, some policy-areas which were reformed through social pacts in other countries (e.g. tax system in several Irish social pacts) have also been the object of successful reform in Greece outside social pacts or national-level bargaining. According to the Greek Economic and Social Committee (OKE, 2002) the reform of the tax-system (through participation of unions' and employers' representatives in committees within the Ministry of Finance) has been the best example of non-institutionalized social dialogue in Greece.

The general point made here is that elements of *concertation* -broadly understood- can be found in Greece as well. Indicatively, trade unions' representatives participate in 140 Committees and Councils, while employers' associations' representatives are involved in more than 60 permanent national level structures (Aranitou & Yannakourou, 2004:357). By no means, does the above discussion imply that social dialogue has been solidly embedded in Greek industrial relations. However, it does qualify the picture of total absence of social pacts (Natali & Pochet, 2008) and 'stalled social dialogue' (Lavdas, 2005:307-311) advanced up till now in the literature, and presents elements of change alongside those of continuity. This analysis updates the characterization of the system of intermediation in Greece as 'state corporatist' (Mavrogordatos, 1988) and agrees with scholars observing a 'transmutation' of state corporatism into an *increasingly* neocorporatist mode of interest representation (Pagoulatos, 2003:185, emphasis added).

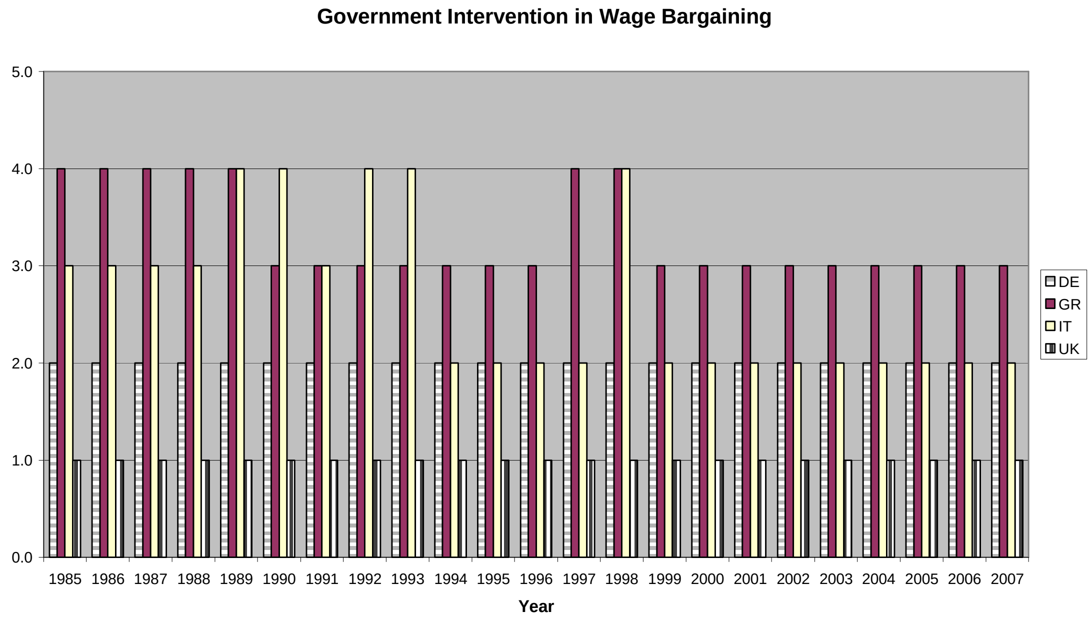
Another enduring feature of industrial relations in both Italy and Greece is the deep politicisation of the system. Although the structure of trade unionism is slightly different between the two countries, the ideological divisions are common. In Italy trade unions' federations are ideologically divided: CGIL linked to ex Communists and Socialists; CISL linked to Christian Democrats; UIL linked to small lay parties (Regalia & Regini, 2004). Despite ideologically divisions, the thee major confederations managed to speak with a 'single voice' throughout the 1990s, while the prospect of uniting under the banner of a single confederation came very close to be realised in the late 1990s (Baccaro et al., 2003:56; Hyman, 2001b:163).

In contrast, the trade union confederations in Greece are unitary with a differentiation between the private sector (GSEE) and civil service (ADEDY). Still, competing intra-union factions are similarly ideologically divided: PASKE is linked with the Socialists (PASOK), DAKE with the Conservatives (ND), and PAME with the Communist party (KKE). In other words, intra-union competition in Greece is potentially disturbing labour movement unity just as inter-union competition in Italy. Employers' associations have been less fragmented organisationally with *Confindustria* in Italy and SEV in Greece being the major representatives (Lanza & Lavdas, 2000).

The links between political parties and organised interests were (and still are) characterised by clientelistic relationships, reflecting features of the Italian and Greek political systems at large (Graziano, 1973; Mouzelis, 1985). The term *partitocrazia* in Italian (and the equivalent *kommatikokratia* in Greek) signify the monumental influence of political parties on several dimensions of political and economic sphere, including organised labour and business. Trade unions were largely a 'transmission belt' of political parties and this created complex web of interconnections between the interest associations and political parties alternating in government.

Historically, the role of the state was very important in the industrial relations of the two countries (Kritsantonis, 1998:509; Regalia & Regini, 1998:480). The state was involved in all possible ways: as an employer in the extensive public sector, as a public mediator during industrial disputes and as a legislator setting the institutional framework. Still, if one tries to look at the development of government intervention in wage bargaining over time the best available indicator is Anke Hassels' index below (Figure 3-4).

Figure 1 Government Intervention in Wage Bargaining 1985-2007 in selected countries



Source: ICTWSS Database.

The average levels in government intervention for the period 1985-2007 rank Greece (3.3) close to Italy (2.7) and document the statist tradition in the industrial relations of the two countries. This contrasts sharply with much lower average levels of intervention in either Germany or Britain (2.0 and 1.0 respectively). In Greece 1990 marks a turning point: compulsory arbitration was abolished and dispute resolution was delegated to an independent Mediation and Arbitration Organisation (OMED). A rationalisation and re-organisation of collective bargaining framework took place in both countries in the early 1990s under coalition governments. In Italy it was the tripartite agreement of July 1993 under the 'technocratic' government of Ciampi, whereas in Greece it was Law No.1876 of 1990 under the 'ecumenical' government of Zolotas.

A recurring theme in the related scholarship is the so-called 'representation problem' of employees' and employers' associations. Most recently, Matsaganis (2007) argued that Greek trade unions have acted as 'narrow interests' opposing reform of the inegalitarian pension system and contrasted them to their Italian counterparts' involvement in pension reform. One may read in this argument an underlying Olsonian logic of the role of 'narrow interests' (as opposed to 'encompassing interests') in undermining public interest (Olson, 1982).[2] But as argued above, the mere fact that Italian unions were involved in pension reforms should not strike as a surprising accomplishment. There are other actions which strongly show that Italian unions have tried to embrace a more 'encompassing' type of behaviour (Baccaro et al., 2003), which are also observed in the case of Greek trade unions.[3]

Conventionally, the representation problem is understood through membership rates. For example, Scandinavian unions with union density reaching nearly 100 percent are considered paradigm cases of 'encompassing' trade unions. A corrective to this view is brought by Schmitter (1995:303), who insightfully argued that trade unions in Southern Europe are more representative than their membership rates would indicate, because of the legal extension of collective agreements. Indeed, trade union density in Greece and Italy ranged from 20 to 40 percent during the 1990s and 2000s (Figure 3-5). Greek union density was very close to the German levels and Italian was slightly higher than the British. But if one looks at *collective bargaining coverage*, Italian and Greek rates are much higher than either British or German (Table 3-1). In sum, trade unions in Italy and Greece *effectively* represent 70-80 percent of the salaried wage earners.

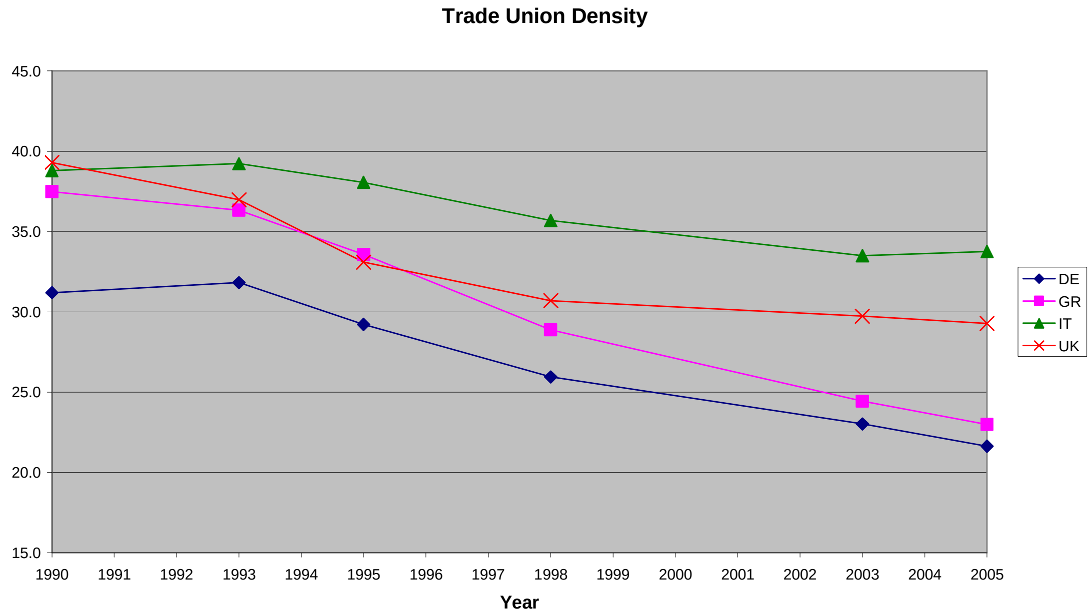
Table 1 Collective Bargaining Coverage Rates 2000 and 2006 in selected countries

Collective bargaining coverage rates (%)		
	2000	**2006**
DE	63	63
GR	70	70
IT	82	82
UK	36.3	35.3
Source: EC (2008:75-78).		

[2] Similarly, Molina and Rhodes (2007:227) argue that interest associations in 'Mixed Market Economies' are fragmented and unable to deliver collective goods. This argument is probably half of the story, in the sense that, indeed, interests associations in Greece and Italy do not engage in joint supervision of vocational training as in Germany or unemployment insurance as in Scandinavia. The other half of the story is told by the high coverage rates, which –at a minimum– doubt the idea of 'narrow interests'.

[3] In short, I refer to agreements, which do not cater the immediate interests of their membership, such as: training for unemployed, equal opportunities for women, increased protection/security for precariously employed, price stabilization through wage restraint, etc.

Figure 2 Trade Union Density 1990-2005 in selected countries.



Source: ICTWSS Database.

Another dimension of the 'representation problem' stems from the legal requirements for union organising and the structure of the productive system in Italy and Greece. Both countries have a plethora of micro-firms, whose employees cannot be represented by unions, due to legal prerequisites[4]. It should be added, though, that most of these are very small *family firms*, and it may well be the case that union organizing is meaningless within such a workplace. The problem is also exacerbated by the high levels of self-employment in Southern Europe much higher than the norm in either Britain or Germany (Table 3-2). This feature is even more intense in the case of Greece, where as Tsoukalas (1995:206) insists, over two-thirds of the urban working population in Greece are either self-employed or work in the public sector, thus reducing the total number of private sector salaried wage earners.

[4] For example, the Law requires that for a trade union to be established in Greece, it should have a minimum of 21 members (Kouzis, 1998) p.118. As a result, employees in micro-firms with less than 21 persons are automatically excluded from the prospect of union representation. The equivalent minimum number of employees to organise a trade union in Italy is 16 (Baccaro et al., 2003) p.45.

Table 2 Share of self-employed in total employment between 1995-2005 in selected countries

Self Employed (% total employment)			
	1995	**2000**	**2005**
DE	10.0	10.0	11.2
GR	45.8	43.3	40.8
IT	26.9	26.4	24.5
UK	13.8	11.9	12.7
Source: EC (2006:263-284).			

One should not underestimate the extent of the related problem of informal work in the black economy. Possibly most applicable to migrants working in sectors with high rates of seasonal employment (like tourism, agriculture and construction) the estimates for the extent of informal work are very high in both Southern European countries as opposed to Britain or Germany (Table 3-3). A potential explanation for this high percentage of undeclared work could follow Regini (1997:109) analysis for the case of Italy: firms' response to the rigid institutional framework is to circumvent it and resort to informal and illegal flexibility. This strategy is likely to pay off (more for small firms) because of the lack of labour law enforcement mechanisms and low sanctions associated with it. As Zambarloukou (2006:220) puts it, the large unofficial economy in Greece offered 'exit mechanisms' for the firms not willing to abide with the institutional framework.

Table 3 Estimated size of undeclared work as % of GDP

Estimated size of undeclared work in GDP %				
	1998	1999	2000	2001
DE				**6%**
GR	**>20%**			
IT				**16-17%**
UK			**2%**	
Source: EIRO (2005:7), Data reported to the Commission.				

Last but not least, the following Figure and Table present indicators of wage bargaining coordination and centralization respectively. In Italy wage coordination has clearly increased, with the tripartite agreement of 1993 marking a turning point and matching the German levels of wage coordination (Figure 3-6). Greece is also depicted as having CME-like levels of wage coordination, although the type of coordination is likely to be qualitatively different from the German one. Finally, indicators of bargaining centralization show a gradual increase throughout the 1990s (Table 3-4) with both Italy and Greece moving towards the German levels of centralisation.

Figure 3 Coordination of Wage Bargaining

Source: ICTWSS Database.

Table 4 Collective Bargaining Centralisation

Collective bargaining Centralisation Index			
	1990	**1995**	**2003**
DE	0.48	0.47	0.47
GR	na	0.33	0.39
IT	0.25	0.35	0.34
UK	0.12	0.13	0.13
Source: EC (2004:43).			

To sum up, this section considered briefly changes in the industrial relations system in Italy and Greece. Industrial relations in the 2000s are characterised by reduced government intervention and lower levels of industrial conflict, especially when compared to the 1980s. The 1990s witnessed a burgeoning activity of Social Pacts in Italy. In Greece the biennial collective bargaining and other institutional channels are construed as functional equivalent of concertation. These changes are reflected in the Italian and Greek coordination scores which match the German ones, as well as the increased centralisation scores, which approach the German ones. The review of the evidence provides support to the argument that the direction of institutional change in the industrial relations realm is towards the more coordinated type. In the next section we turn to the system of finance and corporate governance.

3.4. Finance and Corporate Governance in Italy and Greece

The conventional typologies for finance and corporate governance follow dual classifications: 'equity-based vs. bank-based financing' (Gospel & Pendleton, 2005b:7) or 'shareholder vs. stakeholder value' (Vitols, 2001:341). In the stylised picture of LMEs, firms follow shareholder-value corporate governance, relying heavily on stock market funding and therefore 'impatient' capital. This is reflected by dispersed ownerships and few cross-shareholdings. In the stylised picture of CMEs, firms follow stakeholder-oriented corporate governance, relying heavily on bank-based funding and therefore 'patient' capital. This arrangement is reflected on concentrated ownerships and increased cross-shareholdings.

Regarding the above typologies, Gospel and Pendleton (2005:7) point out that South European countries 'where the state has traditionally played and important role, directly or indirectly, in corporate ownership and governance' do not fit comfortably with these dichotomies. Indeed, is 'state funding' patient capital? Are state-owned firms or even family-owned firms 'stakeholder-oriented'? One could easily argue that the above dichotomies have a very clear large-firm bias. In other words, how relevant is the option of 'equity-based funding' for a small firm? This bias complicates analysis when looking at cases like those in Southern Europe. Italy and Greece are known to have a plethora of micro and small firms, for which bank-based funding or state subsidies might be the only options. Moreover, in these cases it is perhaps impossible to disentangle the 'family' component from firm ownership and governance. Karamessini (2009) argues that corporate governance in Greece could be regarded as 'familial', while Melis (2006) underlines the central role of family ownership even in the large shareholdings in Italy (cited by Culpepper, 2007:787).

Table 5: Ownership and Control of Large Firms in selected countries.

Control of Large & Medium Publicly Traded Firms	DE	GR	IT	UK
Widely Held Control of Large Firms	**0.50**	0.10	0.20	**1.00**
Family Control of Large Firms	0.10	**0.50**	0.15	0.00
State Control of Large Firms	0.25	**0.30**	**0.40**	0.00
Widely Held Control of Medium-sized Firms	0.10	0.00	0.00	**0.60**
Family Control of Medium-sized Firms	**0.40**	**1.00**	**0.60**	**0.40**
State Control of Medium-sized Firms	0.20	0.00	0.00	0.00
Source: La Porta et al (1999:492-494).				

The above correctives seem to fit well with relevant evidence from La Porta *et al.* (1999) presented in Table 4. The crucial message from the above Table is that family in Southern Europe is not only important when thinking about micro and small firms (as one would expect), but is also important for the ownership of large firms. For example, it is clearly shown that the large publicly traded firms in Greece and Italy are much more under the control of family or the state than Germany or Britain. The idea of 'dispersed ownership' is a good descriptor for Britain, but is less relevant for the other cases. Moreover, the extent of family control of 'medium sized' firms (but still large enough to be traded publicly) is skyrocketing in Italy and Greece, showing much higher levels than the other two countries. The more general point of the above discussion is that dual or dichotomous understandings (such as the established typologies of corporate governance) may be good for a start, but become problematic as the universe of cases expands. The complexity encountered doubts their relevance and unveils an Anglo-Saxon (or at least Western European) bias.

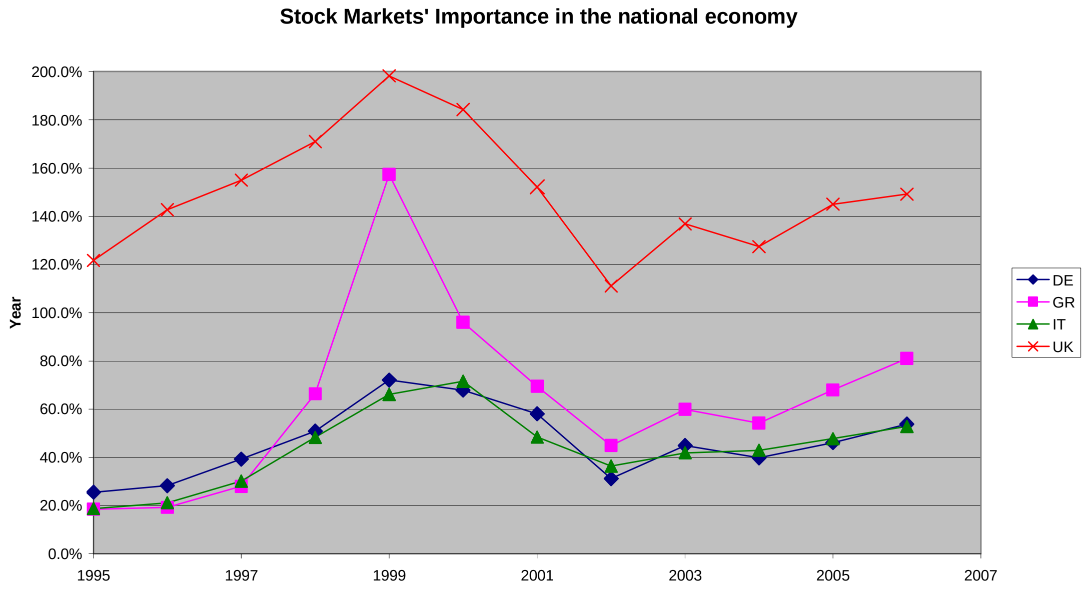
While the above data highlighted some of the problems with theoretical conceptions based on dual classifications, they cannot tell us anything about the direction of institutional change, because they are based on a specific snapshot between 1995-7. Perhaps, an update of this data will show much different levels of state ownership given the privatisation programmes in both countries during the 1990s. Notably, Italy has gone through 'the largest privatisation programme in the world' (Deeg, 2005:531).

To begin with the Italian system, a major turning point in the last two decades is the passage of the Draghi Law in 1998. Among other things, the Law increased the regulatory protection afforded to minority shareholders, changed the auditing system and also changed the takeover bidding rules (Culpepper, 2007:790). This institutional change is attributed to a coalitional web between a 'transparency coalition' (investors and workers), a reformist-minded bureaucratic elite and a left-party government (Deeg, 2005). To our interest here is that this 'dramatic legal change moved Italy from the lowest score on the…index of minority shareholder protection to the same score as the United States and the United Kingdom' (Pagano and Volpin, 2005 cited in Culpepper, 2007:790).

In Greece, the traditional source of funding for economic activity has been credit from the state-owned banks, since equity markets were underdeveloped. The financing of economic development was geared towards specific sectors of the economy '*via* a system of obligatory investment ratios' with the state being by far the largest borrower, followed by industry and SMEs (Soumelis, 1995:40). Still, in the recent years there have been changes in the financial system realm in both Greece and Italy. Their financial systems have been liberalised and state owned banks largely privatised in the 1990s. At the same time stock markets experienced an unprecedented expansion and their importance in the national economy has undoubtedly increased (cf.Della Sala, 2004:1048). The data on stock market capitalisation as a percentage of GDP (Figure 7) document this change. While data before 1995 are not available in this figure, we do know from other sources (Culpepper, 2005a:186, fn45) that:

> 'in the two decades prior to 1990 stock market capitalization in … [Italy, Germany, UK and France] was almost stagnant: moving from…16 percent in 1970 in Germany to 21 percent in 1990; and 5 percent in 1975 in Italy to 13 percent in 1990'.

Figure 7: Stock Market's Importance in the economy 1995-2006 in selected countries.



Source: World Federation of Exchanges web site.

Admittedly, market capitalisation figures may be influenced by the stock markets bubble bursting out in the late 1990s (hence the huge spike in 1999 in Greece approaching very close to the British/LME levels). However, even with these data one may observe that after the deflation of the bubble, the levels of market capitalisation settled at a higher plateau than the one from which they started. Perhaps, a complementary statistic is the number of listed firms, showing a very high increase especially for Greece (Table 5). The two exhibits warrant the conclusion that the importance of equity-based funding has increased in both Southern European countries (more so for Greece than Italy). Moreover they show that equity markets' importance increased also for the proxy/paradigm cases of Germany and Britain, changing in parallel with the 'ambiguous' cases.

Table 6: Listed Firms Numbers 1990-2007 in selected countries.

Listed Firms Number 1990-2007					
	1990	1998	2007	% Δ 1990-2007	% Δ 1998-2007
DE	na	662	866	na	30.82%
GR	140	229	283	102.14%	23.58%
IT	220	243	307	39.55%	26.34%
UK	2,559	2,423	3,307	29.23%	36.48%
Source: World Federation of Exchanges web site.					

The discussion so far provided evidence indicating that finance and corporate governance systems in Italy and Greece are taking more liberal market characteristics. On the one hand, legal changes in Italy have increased the protection of minority shareholders and transparency in corporate governance, which are typical characteristics of LMEs. On the other hand, equity-based funding has increased in importance throughout the last two decades for both Southern European countries. Increased reliance on stock markets and their 'impatient' capital is also a typical characteristic of LMEs. But to what extent these changes have also brought about other LMEs elements (such as dispersed ownership and short-termism) remains to be answered.

Still, there is some scattered evidence pertinent to this question. According to Makridakis *et al.* (1997:394) 'short-termism' seems to be a characteristic of Greek management. This claim is corroborated by Tsipouri and Xanthakis (2004:25) who find weak compliance of Greek companies with stakeholder corporate governance values. For Italy, Culpepper (2007) argues that while change in formal (legal) institutions was indeed geared towards the liberal market model, actual practice remained attached to concentrated ownership. This difference between legal changes and changes in actual practice surely complicates the conclusion of this exercise. Perhaps, it also illustrates even more the argument that delineating an overall trend (e.g. saying that Italy or Greece is becoming more CME or LME) is an arduous task. How can one assess the relative weigh of change in formal vs. informal institutions? Even more, how can one assess the relative weigh of changes in one realm against changes in another realm? These questions will be discussed in the next section.

3.5. Conceptual and Methodological Implications

The previous two sections have reviewed changes in two institutional spheres in Italy and Greece from the early 1990s to the late 2000s. On the one hand, the review illustrated that the adversarial character in industrial relations loosened and government intervention relaxed compared to the 1980s, while wage bargaining became more centralised and coordinated. On the other hand, the system of finance and corporate governance acquired more liberal market characteristics and the importance of equity markets increased in both countries. The diverging changes in the two institutional spheres examined here, cast doubt to the credence of the *dual convergence* hypothesis and possibly provide support to an alternative hypothesis, that of *hybridisation*. This section will deal with the conceptual and methodological implications stemming from this analysis.

A first implication relates to the very central concept of 'complementarities'. In particular, industrial relations and corporate governance are essential institutional spheres for producing 'institutional complementarities' (Höpner, 2005). A classic example is the dual management board in German firms (*Aufsichtsrat und Vorstand)* as complementary institution with employees' codetermination right (*Mitbestimmung*). For their relationship, Robert Boyer (2006:19) has pointed out:

> The proponents of a strong variant of VoC would regard these institutions as complementary – having observed the good 'performance' of the German economy until the early 1990s– whereas the observation only says that they are compatible.

While it is not within the scope of this paper to explore the validity of complementarities, the previous sections warrant a few comments for this concept. Given that institutional spheres in Italy and Greece are moving in opposite directions, then this translates into intensifying the *misfit* between institutions and leading possibly to greater *hybridisation.* The 'performance' of the two Southern European countries appears as a puzzle for a theoretical construct that links Mixed Market Economies with the absence of complementarities. How one explains the steadily high growth rate in a 'mid-spectrum' case such as Greece throughout the 1990s (only second to the Irish 'LME' in EU)? Alternatively, (and more faithfully to the 'exposed' sector argument), how one explains the good export performance of Italian industries, despite the country being classified as a 'Mixed Market Economy'?

Leaving these questions aside for future research, there are also methodological implications stemming from the review made here. The first relates to the appropriate level and unit of analysis when asking questions of institutional change. The contradictory conclusions in the literature over institutional change in Spain [more LME (Molina & Rhodes, 2007) *versus* more CME (Royo, 2007)] warrant a call for disaggregation of capitalist models into component institutions. Since it is empirically possible for different institutional spheres (within single countries) to be changing towards opposite directions, abandoning the nation-state is a piece of advice (Crouch, 2005a; Culpepper, 2005b; Schelkle, 2008) that makes a lot of sense. At a minimum this will save one from the arduous task of delineating an overall trend across the 'political economy'.

Admittedly, the practice of focusing on specific institutions or institutional spheres is already taking place in the literature. Still, the consciousness of what is the relevant 'universe of cases' and how 'generalisable' can the results be is not as clear and leads to spurious forms of *selection bias*. For example, if one examines institutional change only in Italian welfare and production regimes or only in Italian corporate governance, then one should be restrained from 'generalising' that Italian 'capitalism' as a whole is moving towards the one or the other direction. The concept of *selection bias* needs to be treated cautiously here and indeed begs for some elaboration, since it lies at the heart of the so-called quantitative-qualitative divide.

While research methodology in comparative political economy is characterised by pluralism, the dominant research design is undoubtedly comparative small-*n* and single case studies. In this design, random selection is ruled out as inappropriate (King, Keohane, & Verba, 1994:128). Case selection is bound to be based on some prior knowledge, which allows stronger research designs and contingent generalisations (George & Bennett, 2005:24-32). Contingent generalisation means that scholars problematise what constitutes the relevant 'universe of cases' for theoretical propositions (causal mechanism or otherwise), which in turn might be more generally applicable. Notably, even single case studies 'have generalisable implications since Tocqueville published *Democracy in America'* (Culpepper, 2005b:4). The way contingent generalisations work is that each case study contributes to the cumulative refinement of theoretical propositions following a 'building block' approach and being part of a broader research programme (George & Bennett, 2005:112; King et al., 1994:211). For example, an explanation of institutional change in Italian corporate governance which is based on coalitions may be able to explain institutional change in Spanish corporate governance and thus be construed as more generally applicable. In other words, it is the causal mechanism that is generalisable and *not* the trend of change across the case.

As it was mentioned previously, when it comes to exploring institutional change a crucial problem is how to identify it and agree on what 'counts' as change. The difference between formal and informal institutions complicates things even further. In his study on

Italian corporate governance, Culpepper (2007) makes a very interesting argument highlighting this complexity: while one finds institutional change in formal (legal) institutions, informal norms (actual behaviours) are characterised by institutional stability. Obviously, there is no magic recipe to deal with this possibility. It is widely accepted that formal changes are easier to capture than changes in norms, customs or codes of conduct, which change in a much slower pace. The implication for research is that it is crucial to make clear from the outset, what one is looking at: formal or informal institutions?

Identifying change first is certainly a pre-requisite for explaining it, just as description precedes analysis and explanation. Highlighting different approaches to explanation, Mahoney and Goertz (2006:230-232) make an excellent contribution to the debate over the quantitative-qualitative divide. The authors note that qualitative researchers start with particular cases and their puzzling outcomes and then move backwards to find causes adopting a 'causes-of-effects' approach. In contrast, quantitative researchers follow the 'effects-of-causes' approach seeking to estimate the average causal effect of one or more independent variables on a dependent variable.

Having said that, a good piece of advice to avoid extreme selection bias is given by King *et al.*(1994:129) who suggest that 'selection should allow for at least some variation on the dependent variable' (emphasis removed). One should perhaps add that 'dependent variable' is used loosely here denoting an *explanandum* (that which needs to be explained). The practical implication is that when one is trying to explain institutional change in a comparative case study design, then case selection should involve not only cases which are likely to display change, but also cases which have not changed. This will give some 'leverage' to draw more robust explanations and avoid selection bias. It should be noted that this is essentially the idea, behind the 'most similar systems' design, where similar cases display different outcomes, and the aim is to explain the difference.

The reference to the 'most similar systems' design hints to the notion of (quasi) experimental control. Most similar systems studies are based on the belief that 'systems as similar as possible with respect to as many features as possible constitute the optimal samples for comparative inquiry' (Przeworski & Teune, 1970:32). While arguing that two countries are 'most similar' with respect to certain features is not impossible, lowering the level of analysis below the nation-state gives a methodological edge. For example, selecting different regions or different sectors within the same country may be a very fruitful strategy for 'holding constant' a range of characteristics. Features such as different legal frameworks or structures of trade unionism may have a causal impact on the outcome one tries to explain. Therefore, comparing sub-national units approximates the 'experimental control'. This methodological advantage is known to apply more generally, but it can be very handy when trying to explain institutional change.

Admittedly, one could argue that the most interesting institutions are national-level institutions and thus this strategy is not applicable. In contrast, there are many institutions of interest to comparative political economy, which vary sub-nationally (e.g. regional collective bargaining in Spain or Italy; sectoral vocational training in Germany; sectorally organised Ghent system in Scandinavia, etc.).

A final methodological advantage of abandoning the nation-state and lowering the level of analysis is that it weakens the notorious 'too many variables, too few cases' problem. Focusing on specific institutions and increasing the number of 'cases' at the sub-national level 'kills two birds with one stone'. First, the 'variables' are reduced because of the 'experimental control' mentioned above and because the focus is on change in specific institutions. Second, the 'cases' are increased by adding sub-national units, most commonly sectors, regions or even firms (depending on the research question). Crucially in the quantitative-qualitative divide, one should not conflate a 'case' with an 'observation'. A single 'case study' is by no means equivalent to a single observation in the cells of a worksheet; instead each case is a source of multiple observations. Still, 'making many observations from few' (King et al., 1994:217-228) as one moves from the national to sub-national levels, is a strategy that yields valuable advantages.

3.6. Conclusion

The VoC strand in the broader comparative political economy literature generated interesting insights but also attracted reasonable criticism. In terms of insights, this strand of literature challenged proponents of an imminent convergence to a single best practice model of capitalism and provided counterarguments to a simplistic understanding of globalisation. In the process, it displaced the convergence thesis with its own 'dual convergence' thesis. In terms of criticism, VoC was charged *inter alia* with building ideal-types reading backwards empirical cases, being based on comparative statics which -by design- downplay institutional change and over-emphasising the nation-state as the main unit of analysis.

This paper sought to accomplish a twofold aim. First, to assess the plausibility of the dual convergence thesis against two 'hard cases' for claims on institutional change: Italy and Greece. The focus was on two central institutions for VoC theory, industrial relations and corporate governance. The second aim was to illustrate the problems stemming from adopting the nation-state as the unit of analysis when gauging the direction of institutional change.

The brief review of changes in the two institutional spheres generated interesting findings. On the one hand, industrial relations in the two countries seem to becoming less statist and adversarial, but more coordinated. On the other hand, the system of finance and corporate governance is acquiring more liberal market characteristics and especially equity markets have increased in importance for both countries. The diverging changes in the two institutional spheres examined here, cast doubt to the credence of the *dual convergence* hypothesis and possibly provide support to an alternative hypothesis, that of *hybridisation*.

The above analysis highlighted the possibility that institutional spheres within the same country may be changing towards different directions. If this is the case, then claims over institutional change for a whole country are very tenuous and delineating an overall trend becomes an arduous task. The finding by itself has important implications for the further research on institutional change. Notably, it might be necessary to look at the concept of institutional complementarity under a new light. In the event that institutional changes in an 'ambiguous case' are changing in opposite directions, but the case is still able to obtain some sort of good economic performance (in exports or growth) then the validity of the concept is questioned.

Moreover, the possibility that countries' institutions are changing towards different directions is begging for a disaggregation of 'capitalist models' into their component institutions. Similarly, it seems be a prudent strategy to distinguish between formal and informal institutions when carrying out in-depth studies. Admittedly, this insight has been inconsistently followed so far by several works, since it is very difficult to look simultaneously at multiple institutional spheres. Still, in certain instances 'claiming too much' was not avoided, and what was seen as institutional change in specific spheres or sectors, was 'generalised' as the direction of institutional change across the whole 'political economy' (country).

Finally, the paper concluded by arguing that lowering the level of analysis below the nation-state is not only a prudent strategy from a theoretical point of view, but also yields valuable methodological advantages. The advantages include increasing the number of observations, varying the outcome to be explained to avoid selection bias, and achieving quasi-experimental control. These methodological insights are especially valuable for those engaged with comparative-historical research using small-*n* or single-case studies.

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Corporate Governance in Greece and its political determinants

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Work in progress. Please do not quote. Comments welcome.

ABSTRACT

This paper describes the main characteristics of Corporate Governance in Greece in terms of Corporate Ownership (concentration data are collected and analyzed) and Minority Shareholder Protections (MSPs), and also investigates the political interests and institutions that implied the predominance of the current model. Findings on corporate ownership put Greece in a top position inside the long catalogue of countries that are characterized by a concentrated ownership model. The family character of Greek companies, the developmental character of the Greek state at its early stages and the lack of a civil society that could aggregate social demands, state interventionism tradition, EU membership, and recent scandals are some of the main determinants of the prevalent CG pattern.

Introduction

Corporate Governance (CG) increasingly attracts the attention of academic scholars, business executives and investors. World scale scandals (ENRON, WorldCom, Vivendi, Parmalat) necessitated the creation and adoption of codes of conduct which will determine how things are done in a company, or what kind of CG will be employed.

Corporate governance defines the structure of power within a firm and the allocation of responsibilities. Shleifer and Vishny (1997) define CG as the way in which the suppliers of finance to corporation assure adequate returns on their investment. Agency theory and agency problem are in the core of the relevant literature. Agency problem refers to the potential conflict of interest between shareholders (*principals*) and managers (*agents*) and the arising *agency costs*. CG is amongst others an answer to this problem. Two main different CG models (to be more precise, groups of models) are evident worldwide: an external diffuse *shareholder model* and an internal concentrated *blockholder model* (Gourevitch and Shinn, 2005). In the shareholder model managers are supervised by shareholders via an elected board of directors and although board members hold relatively small portions of the total stock, their vote is necessary for major decisions. In the latter model managers are supervised by "insiders" (concentrated blockholders), with little formal protection of the outsiders (minority shareholders).

While shareholder model has the main basic characteristics wherever applied (Anglo-Saxon economies) there are several varieties of the blockholder model. In particular, large shareholder blocks may be held by financial institutions, banks or other firms in one version. Another possibility is the family network, in which personal ties are used to control managers. A different version is state ownership model, where public authorities supervise firms through a variety of mechanisms.

Some scholars claim that there is a convergence towards a shareholder model (Wojcik, 2006; Hansmann and Kraakman, 2002; Van der Elst, 2000) while others believe that there is not enough evidence supporting condergence and that in the future we may see further divergence and dispersion (O' Sullivan, 2000). Moreover many researchers argue that different CG models operate equally well under different circumstances and in different contexts (Heugens and Otten, 2007; Rajan and Jingales, 2003). The truth is that there is evidence of some Convergence especially in EU, mainly through the adoption of similar Codes of Practice around OECD guidelines on CG (Mallin, 2004) but this is more a *de jure* than a *de facto* convergence.

The attempts to explain the variety of CG models worldwide and also the evolution of those models through time have concluded that there are many different determinants resulting to a variety of CG models. Namely, legal tradition, political system, political culture, core values etc. are some of the proposed explaining variables for the existence of various CG systems.

Undoubtedly those potential determinants hold some importance but in our quest for the main explaining variable we should take into consideration the dynamics of CG as well. CG models change from time to time in contrast to cultural components that usually remain stable or change at a very slow pace. So the determining factor should be dynamic by itself. Drawing from Gourevitch and Shinn (2005) argumentation, since CG is defined by law and regulation and since law and regulation express the outcome of the political process – the causal model should look at *interests* and *institutions*. Economic preferences and political institutions, briefly politics, are in the centre of this analysis.

The main players whose interests are examined are the owners and the managers of a firm. Things get more complicated as we put more players in the game, namely internal and external investors, workers, government, and the society.

Owners, managers and workers have their own preferences for corporate governance regimes, and they will struggle to achieve them. To pursue their goals they combine different coalitions (see table 1). For example, owners ally with managers to face workers' demands, workers and managers ally to secure employment and to raise their wages, and workers combine with owners in order to contain managerial agency costs and to secure their investments and pensions and even jobs. Coalitions are not stable and allies' formations may change from time to time or from one context to another.

Coalitional Lineup	Winner	Political Coalition Label	Predicted Outcome
Pair A: Class Conflict			
O + M vs. W	O + M	Investor	Diffusion
O + M vs. W	W	Labor	Blockholding
Pair B: Sectoral			
O vs. M + W	M + W	Corporate compromise	Blockholding
O vs. M + W	O	Oligarchy	Blockholding
Pair C: Property and Voice			
O + W vs. M	O + W	Transparency	Diffusion
O + W vs. M	M	Managerism	Diffusion

Table 1. Coalitions between Owners, Managers and Workers (Gourevitch and Shinn, 2005)

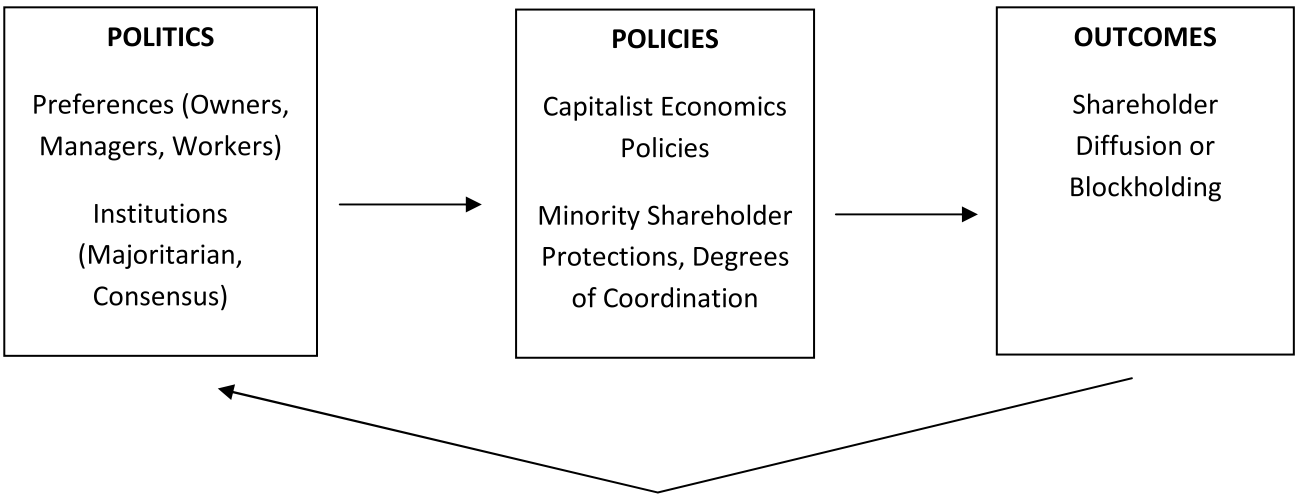
To succeed, every group needs to mobilize allies outside the firm, allies that will ensure an advantageous position in the political arena. Those allies in most of the cases are their counterparts in the society (fellow owners, managers and workers). But there also may be some cleavages, within each group. For example, there may be different preferences for workers in the protected public sector and for workers in an exposed to the competition private sector. Moreover, workers with substantial pension holdings may have preferences that differ from those whose pensions are entirely depended on PAYGO public social security. Also, blockholders owning substantial assets in a specific firm often have different preferences from those with dispersed, diffuse shareholdings. Thus, to capture the whole picture we need a much more complex model, at the expense of parsimony.

The model[1]

The dependent variable is the pattern of CG. The main indicator of CG consists of shareholder ownership – diffusion vs. concentration in blockholding.

We can distinguish two groups of variables, policies (intervening variables) and politics (independent variables) which result to the final pattern of CG.

Politics consist of preferences and institutions. Political institutions function as aggregation mechanisms for the preferences of different interest groups. Through these processes, arise "winner" coalitions which then obtain corporate governance policies of their choice. The policy variable consists of sets of regulations known as capitalist economics patterns (CEPs). We focus on two policy components of CEPs, which are the minority shareholder protections (MSPs) and the degrees of coordination (DoCs)- liberal versus highly coordinated, derived from the varieties of capitalism literature.



Causal Schema (Source: Gourevitch and Shinn, 2005)

[1] Model drawn from Gourevitch and Shinn (2005)

In this context, pattern of CG can be measured with a data set that calculates control of the firm, and more specifically how concentrated or diffuse is the shareholding of listed firms.

When ownership is concentrated (blockholding) then owners can directly supervise managers. Otherwise, when shareholding is diffused, other means of supervision (elected board of directors, information made public, and market for control) are utilized to protect ownership's interests.

Minority shareholder protections (MSP)

The MSP school argues that CG pattern - ownership concentration or diffusion - is mainly driven by the existence or lack of practices, informal norms, laws and regulations protecting the rights of minority shareholders, rights often abused by blockholders. Protection means are classified by Gourevitch and Shinn (2005) in four main areas, namely Information, Oversight, Control Rules and Managerial Incentives.

Information. Information practices are referring to accounting rules and audit procedures. The closer a state's rules conform to the international standards for accounting[2], the more accurately a minority shareholder can asses agency or expropriation costs (Gourevitch and Shinn, 2005). In the same way, objective audit by a third party –usually a certified accounting firm- is vital for verifying the accuracy of the reported data. In this context, independence from management or blockholders is of course more than crucial. Other important issues to examine here are the scope of audit, its frequency, recipients of the reports, criteria for auditors' independence, and the conditions under which auditors are selected or terminated.

Oversight. Oversight has to do with board independence. Minority shareholders are better protected from agency costs when independent – though proving independency is quite difficult– from management boards and nonexecutive directors are present.

[2] For example International Financial Reporting Standards (IFRS often referred as IAS) or Generally Accepted Accounting Practices (GAAP)

Control Rules. Control practices include minority voting rights for important decisions such as changes in control or takeovers. Blockholders and managers have in their arsenal many tools to eliminate or weaken the capacity of minority shareholders to affect control decisions. Namely voting caps imposing ceilings on minority or outsiders votes, shares with disproportionate or with no voting rights, restrictive voting procedures such as "tie-up" requirements or limited information or notice regarding general meetings (Gourevitch and Shinn, 2005). Yet, many legal and regulatory frameworks provide blockholders and managers with a sound number of potential antitakeover tools, such as "poison pills"[3], "dead hand" provisions, staggered boards, stock transfer restrictions, and "golden shares"[4]. All these tools, practices and mechanisms allow blockholders and managers to abort not only hostile but also non-hostile takeovers which could be beneficial for minority shareholders but not for them (managers and blockholders). In most developed countries there is relevant legislation ensuring minimum due processes for the protection of minority shareholders.

Managerial Incentives. Shareholders attempt to motivate managers by using compensations like stock options and other incentives in order to ensure that they behave in favor of shareholders' interests. The better the alignment of managers provides the better the protection of minority shareholders.

Degrees of Coordination (DoC)

The literature on varieties of capitalism (Hall and Soskice, 2001; Hancke et al, 2007; Coates, 2005) allows us to categorize different economies in two broad categories, *liberal market economies (LMEs)* and *coordinated market economies* (CMEs). LMEs are expected to have the diffuse shareholding model, while CMEs are expected to have the blockholding model (Hall and Soskice, 2001; Roe, 2003).

[3] Newly issued shares sold to older blockholders in order to keep the control of the firm
[4] Shares with a veto right

In our case, classification will be more complicated, since according to many scholars Greece doesn't fit any of these two broad categories (Featherstone, 2008). Other typologies are available and a connection between the two different literatures, CG literature and Varieties of Capitalism literature seems to be very interesting.

Patterns of corporate control

The threshold defining control in most studies varies at either 10% or 20% of total shares. Definitions of ownership rely on voting rights than cash flow rights since the question to be answered is: who controls the firm its managers or its owners? (La Porta et al, 1999). Researchers investigate if there are shareholders with substantial voting rights, either directly or through a chain of holdings.

La Porta et al (1999) developed a database of 49 countries. Their data refer to the period 1993-1995 and are collected from Worldscope[5]. Since that period many things have changed (dynamics of CG is another issue to examine).

Moreover Faccio and Lang (2002) find Worldscope's coverage inadequate and for that reason they rely on information provided from national regulatory authorities (e.g. Capital Market Commissions).

Claessens and Tzioumis (2006) utilize the Bureau Van Dijk's Amadeus database which includes data for listed companies (LCs) and non listed companies (NLCs) across European countries. Their data are based mainly on year 2005. Their research provides useful and up to date information. We should note that their threshold is either 50% or 25% of total shares.

In this paper we use data collected from the annual reports of the listed companies in the Athens Stock Exchange (ASE)[6]. Then, we use a threshold of 10% or 20% and we classify companies' status as concentrated or diffused ownership. In later stages of

[5] A database from Thompson Financial

[6] Kapopoulos and Lazaretou (2007) use data from annual reports to establish a correlation between corporate ownership and performance.

this research we will use a five or three patterns typology for a more sophisticated analysis.

5.2 Political Institutions

Political institutions, as mechanisms of interest aggregation, seriously affect the outcomes of the above analysis. A specific institutional arrangement may favor one coalition or another. Moreover institutional change may lead to preference changes as the payoffs change.

Drawing from political science literature (Lijphart, 1999), we can sort institutions into two broad categories *majoritarian* and *consensus*.

Majoritarian institutes are predicted to correlate positively with high levels of MSPs and a liberal production regime, while consensus mechanisms are predicted to correlate positively with low levels of MSPs and a regulated production regime.

In this context, researchers focus on the way institutions define the capacity to block or to pass legislation, thus to exercise a veto. A number of different terms are employed to articulate this concept. In our research focus will be on *veto points* rather than *veto gates* or *veto players*.[7]

In developed economies and established democracies a positive correlation is expected between consensus systems and blockholding, and a negative correlation is expected between consensus systems and MSPs. On the other hand, majoritarian systems are correlated positively with MSPs and negatively with blockholding.

The significance of the correlation increases when we examine well established industrial democracies, where interest groups can promote their preferences through the developed political system.

[7] A veto point combines the notion of institution (*veto gate*) and individual or group (*veto player*). It is any point in a political system where legislation can be blocked.

The causal logic behind is this: the well organized production system heavily rests on interdependence among the different players (stakeholders, managers, blockholders and workers) and in an arrangement between them to preserve the institution of the firm against any outsiders. In so doing, they seek for stability in the policy regime that favors this outcome. Consensus systems are more likely to do that by giving a *veto* to all players on the shape and rate of change. As Gourevitch and Shinn (2005) notice, it is not that consensus systems necessarily produce CMEs, but once one is in place, such a system is more likely to preserve it. So, consensus political systems are in favor of the blockholding CG model.

On the other hand, majoritarian political systems weaken the incentives of producers to commit to specific assets. These political systems have greater policy variance than do consensus systems and consequently firms seek flexibility to hire or fire, to increase or decrease production volume, to shift assets, to sell or even to close when market dictates so. Given that, they strongly prefer policies in favor of the liberal governance model, hence policies that stress the primacy of the external shareholder.

The driving force is the capacity for *credible commitment* - the probability that each partner will hold an agreement. This probability is higher when consensus institutions prevail since consensus to change is necessary (there are more veto points). Contrary, majoritarian systems are characterized by greater swings of policy, given that even a small shift of votes can cause important swings of control over policy. In this context, the players cannot be sure that their agreements will last.

Corporate Governance in Greece

As with many other developments in the field of economics and management, Greece entered the debate over CG with a time lag. The first major step toward the formation of a CG framework was the publication of the Principles of Corporate Governance in Greece (1999) by an ad hoc committee coordinated by Hellenic Capital Market Commission (HCMC). The recommendations were mainly based on OECD Principles on CG (1999). The committee made various recommendations in seven fields (Mertzanis, 2001): a) rights and obligations of the shareholders, b) the equitable treatment of shareholders, c) the role of stakeholders in CG, d) transparency, disclosure of information and auditing issues, e) the board of directors, f) the non-executive members of the board of directors, and g) executive management. These recommendations became the basis for any further development in the field of Corporate Governance.

A main driving force for the CG developments in Greece was, beside the international trends, the speculative moves and the financial scandals of 1999 which necessitated the formulation of an adequate regulatory and legal framework for listed companies. The basic corporate law (2190/1920), in force from 1920, was rather inadequate to provide the basis for settlement of governance issues in the modern corporate world. Thus, the legislative framework was redefined by the laws 3016/2002 and 3371/2005, which include more adequate provisions for information disclosure, audit and board composition.

Legislative framework and guidelines are, as mentioned, mainly focused on issues relevant to what we defined as minority shareholder protections.

Indeed, there is evidence of improvement in these fields and increasingly listed companies include at least a small section in their annual reports and in their websites to describe their Corporate Governance policies.

The latest and most comprehensive investigation on MSPs by Greek Companies was the Corporate Governance Research for 2007, conducted by Grant Thornton in Association with Athens University of Economics and Business (Grant Thornton, 2008). Greek listed firms were asked to answer a questionnaire (44 questions) focusing on compliance with the Law 3016/2002 (mainly), the *Principles of Corporate Governance in Greece (1999),* the *UK Combined Code on Corporate Governance* (2003), the *Sarbanes Oxley Act* (2002), and the *OECD Principles of Corporate Governance* (2004). Finally, 90 firms participated in the research, representing 25% of the total capitalization. Below are some of the main findings compared with results of previous years (Grand Thornton conducts this research since 2006, thus covering the years 2005, 2006 and 2007).

In 2007, only 24% of the listed companies answered that they are fully complied with the provisions of the relevant legal framework, as prescribed by the law 3016/2002 (Figure 1). Someone may was surprised by the fact that more companies declared fully compliance in the two previous years. We believe that this decline can be attributed to a better understanding of what fully compliance means than to a real deterioration of CG compliance.

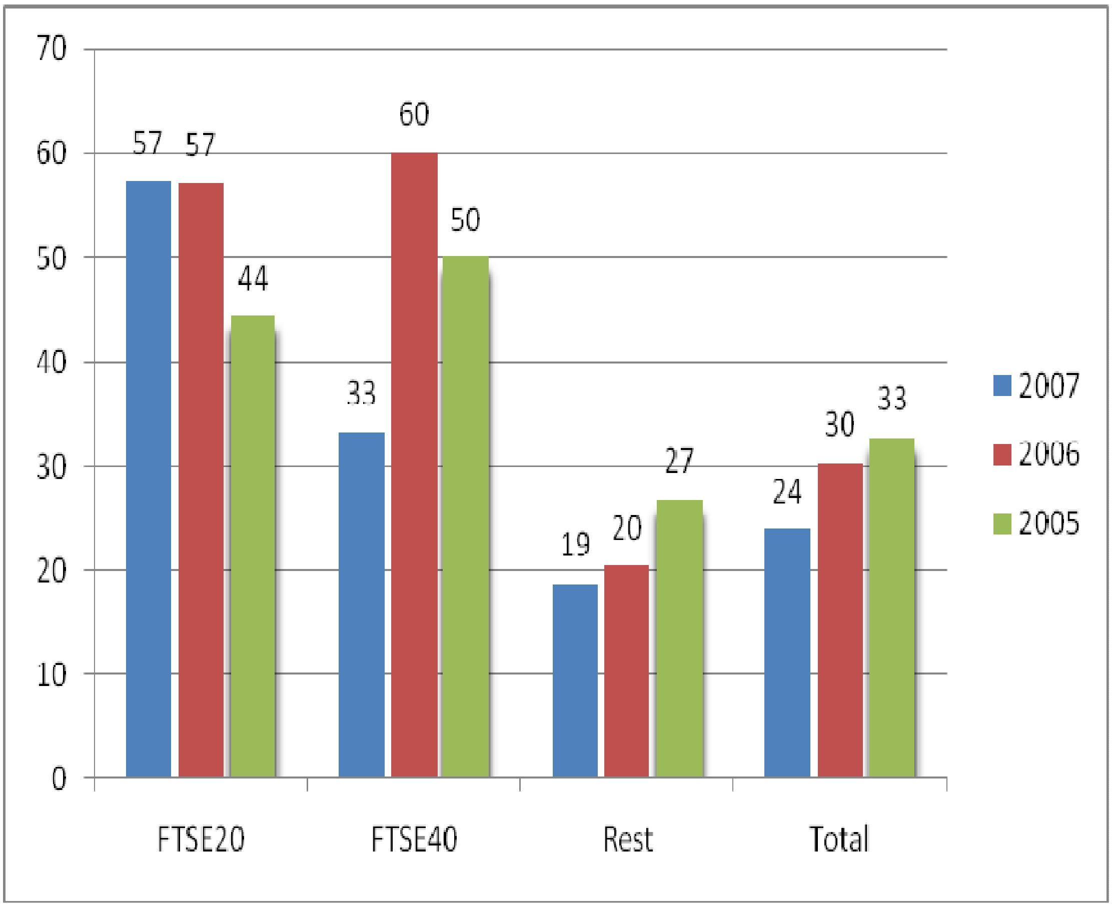


Figure 1. Percentage of companies reporting that are fully complied with CG standards (Grant Thornton, 2008)

Seven out of ten firms claim that they are adequately complied with CG principles but eight out of ten do not issue CG compliance report (as indicated in Principles) and only 60% of them states the reasons for their incomplete compliance, as advised.

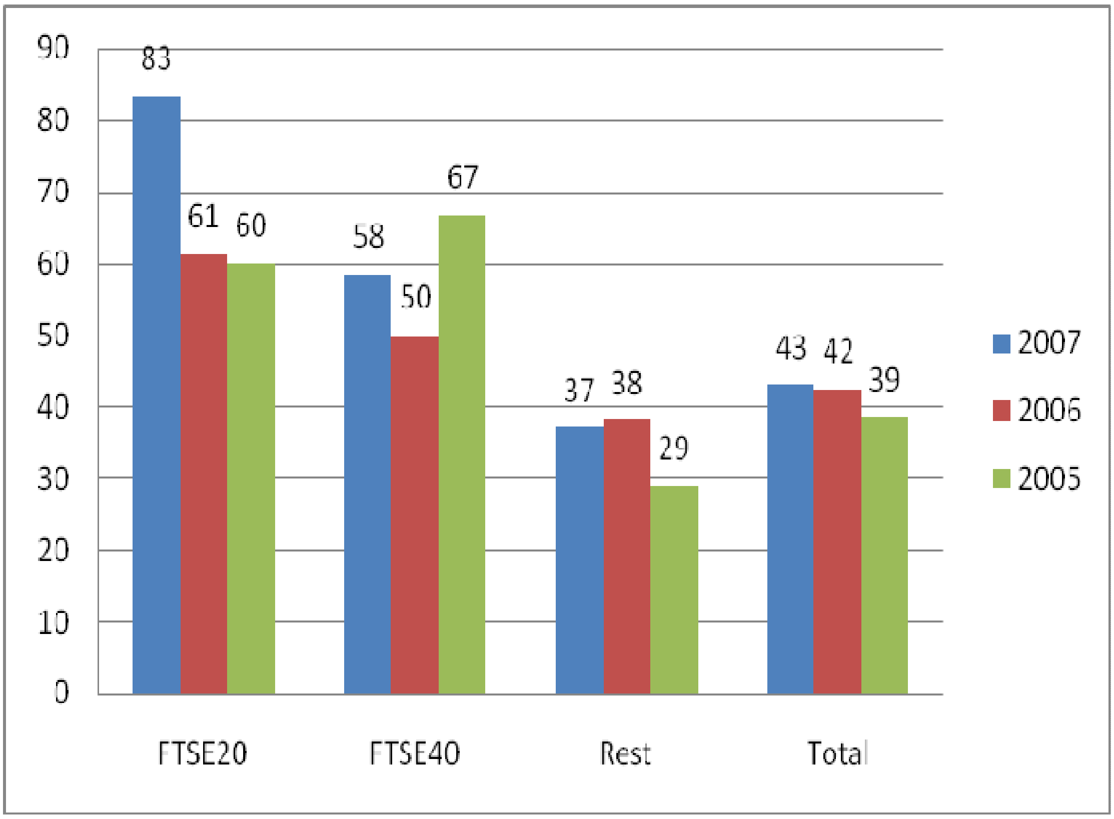


Figure 2. Percentage of companies where President of the board and CEO are NOT the same person (Grant Thornton, 2008)

Considering board composition, President of the Board and CEO are the same person in almost 6 out of ten listed firms (Figure 2). In 3 out of 10 firms that CEO and President of the Board are not the same person, they are relatives (1^{st} or 2^{nd} degree) and in 7 out of 10 Presidents has executive role as well. In more than half firms President and/or CEO own more than 3% of shares and minority shareholders are directly represented in the board of only 4 out of 10 firms. These results indicate that, although there is some progress, there are still many things to be done considering board composition and independence.

In disclosure and auditing issues, results are somehow better since, especially for auditing issues, the law is more explicit. Still, only 69% of the listed companies announce important transactions between board members and other companies or the same company (figure 3). Distance voting rights is another field for further enhancement since only 63% of the firms allows distance voting for shareholders.

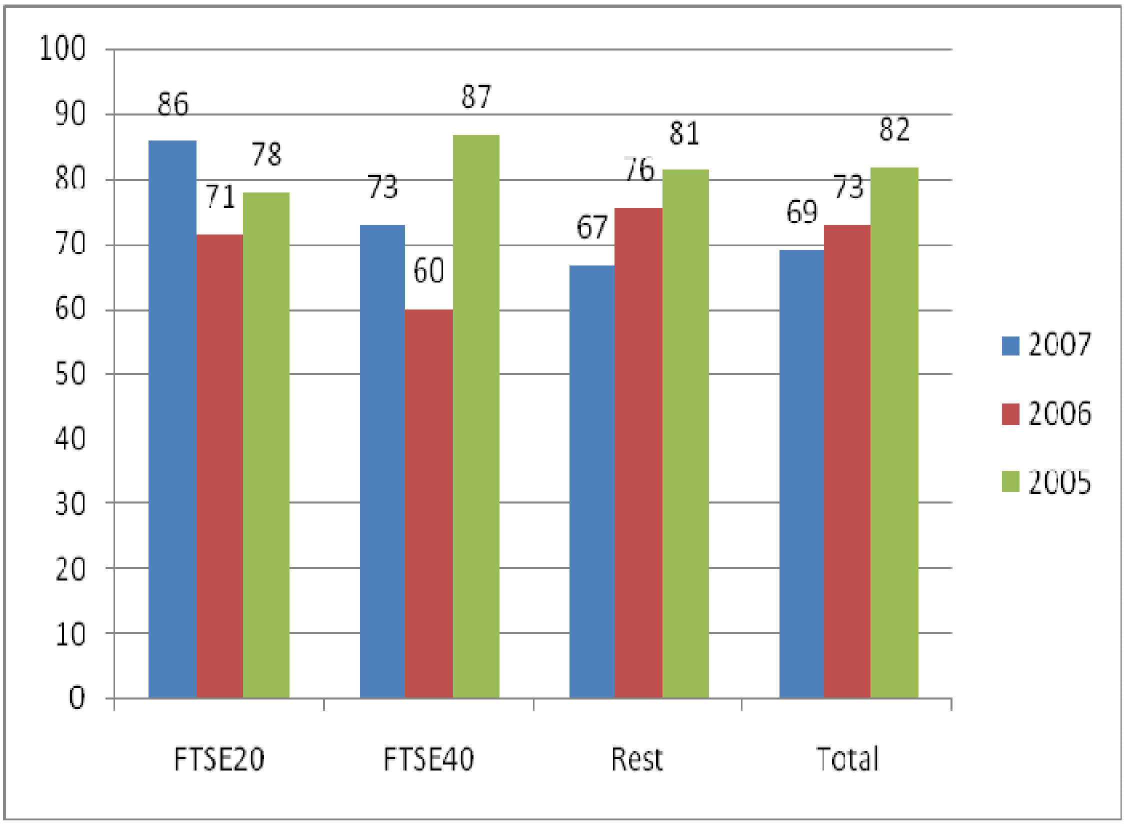


Figure 3. Percentage of companies that publicly announce important transactions between board members and the company or between board members and other companies (Grant Thornton, 2008)

In almost every question firms included in the FTSE20 index performed better than smaller firms. This is not surprising. We can attribute this variation three main factors.

Firstly, due to their size big listed companies need more external capital, thus addressing the national and international capital markets. External investors, by their turn, seek some guarantees for their investments, thus necessitating the adoption of adequate minority shareholder protections.

Second, given that big listed corporations, often have international activities and operate in more developed markets (financial and real), not only they face more pressures for compliance with the international standards but they also gain expertise and know-how in CG issues.

Finally, for the Greek case, we should keep in mind that in FTSE20 we find some of the biggest state corporations, having the obligation and at the same time the capacity to comply faster with corporate governance law and regulations.

Putting Greece in the international context

Greece's structural characteristics do not allow us to classify it neither in LMEs nor in CMEs according to Hall and Soskice's (2001) typology. Kevin Featherstone (2008) describes Greece as an outlier. Other scholars offer some other models beside CMEs and LMEs.

Schmidt (2002) argues that Greece fits better to State Capitalism. In her model business relationships tend to be guided by the state. Inter-firm relations are mediated by the state, while interaction between firms when not state-mediated is generally as competitive and distant as in market capitalism. Thus, state directs the business-government relations by influencing business development through planning, industrial policy, or state-owned enterprises. Moreover, state often exceeds its arbitrary role and picks winners and losers among economic actors. Government relations with labour also tend to be state-controlled although more distant than its relations with business and wage bargaining is in a big extent determined by the state,

According to Amable (2003) Greece fits the Mediterranean Capitalism model. The main characteristics of Mediterranean Capitalism are as follows: competition on price basis rather quality, state involvement, moderate protection against foreign trade or investment, high importance of smaller firms.

High employment protection is also present, mainly for large firms but there is a dualism in the model. This dualism is caused by the parallel existence of a 'flexible' fringe of employment in temporary and part-time work, possible conflicts in industrial relations, lack of active employment policy, and centralization of wage bargaining

Characteristics related to CG are the following: low protection of external shareholders, high ownership concentration, bank-based corporate governance, no active market for corporate control (takeovers, mergers and acquisitions), low sophistication of financial markets, limited development of venture capital, high banking concentration (Amable, 2003).

In this point we should notice that Amable's typology does not offer an 'ideal-type' modeling strategic behavior as such, rather it is a categorization of prevailing conditions, lacking strong theoretical support (Hancke et al, 2007, Featherstone, 2008)

Other features of Mediterranean Capitalism are a moderate level of social protection, expenditures structure oriented towards poverty alleviation and pensions, low public expenditures, low enrolment rates in tertiary education, weak higher education system, weak vocational training, no lifelong learning, emphasis on general skills

Molina and Rhodes (2005) classify Greece as a Mixed Market Economies (MME). Unions and employers have stronger organizational structures than in LMEs but they are more fragmented and have more problems in articulating their interests than CMEs. However, they do have the strength to veto reform: indeed, the political system is characterized by a capability problem in responding to pressures for reform. Reform is arduous and depends heavily on the leadership skills of government policy makers and on their capacity to overcome the coordination problems and to handle domestic veto points. In this context, the creation of reform coalitions is much more prolonged and problematic than in LMEs or CMEs.

CG pattern and corporate ownership in Greece

It has been already argued that ownership concentration is the main indication for corporate governance. All previous studies describe ownership in Greece as highly concentrated.

In La Porta et al (1999) Greek corporations are mainly family owned (50% with a mean of 30%) and state owned (30% with a mean of 22%). If we lower the threshold from 20% to 10% the family ownership percentage increases to 65% (with a mean of 35%).

According to Caessens and Tzioumis' (2006) results the percentage of Greek listed companies without at least one shareholder exceeding a 25% stake is 20% with a mean of 45%. About 45% of the Greek firms included in the research had a shareholder with over 50% stake (while the sample's mean was 30%).

Karathanassis and Drakos (2004) also find a high degree of concentration using data from companies quoted on the Athens Stock Exchange (ASE). In the same line are also Kapopoulos and Lazaretou (2007).

In Gourevitch and Shinn (2005) Greece has the second highest level of owner concentration (after Chile) and the highest among OECD countries (75 with a mean value of 47).

Faccio and Lang (2002) excluded Greece from their sample because they couldn't cross check the available data on ownership. Similarly, in La Porta et al (1999) Greece and Mexico were the two countries of the sample without available data for the 20 largest firms. In the same study, Greece was among the countries with less than ten publicly traded companies whose capitalization exceeded 500 million dollars.

For our research we have much more available data than ever, not only because information technology allows it but also because Law 3371/2005 obligates firms to refer in their annual reports all the shareholders with voting rights that equal or exceed 5%. Thus, we obtained ownership data for every listed company in 2007.

Research Methodology

Our data sample are the 298 listed firms in the ASE during 2007, thus representing 100% of total capitalization or in other words we will study the whole population.

Ownership information was obtained from firms' annual reports (for year 2007) and it was cross-checked through other sources of information (web sites, news releases, etc).

For this paper we use data from the 60 firms with the higher capitalization (FTSE20 + FTSE XA mid40) that altogether equal for more than 50% of total capitalization. Ownership data for smaller firms are under examination and after cross-checking will be presented in the future.

We investigate if there are shareholders with substantial voting rights (threshold = 20% or 10%), either directly or through a chain of holdings. We follow a backward analysis of ownership similar to the one employed by La Porta et al (1999). Two examples of this backward analysis are presented below.

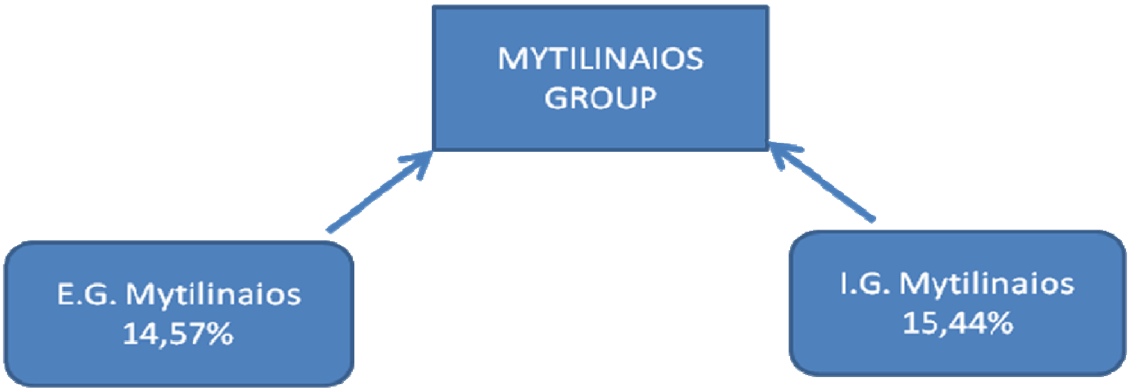


Figure 4. Backward Analysis - Example A

In the first example of Mytilinaios Group, although there is no shareholder with more than 20% of total shares, we sum up the shares of the two brothers (14,57%+15,44% = 30,01%) and we classify the company in the Concentrated Ownership bucket.

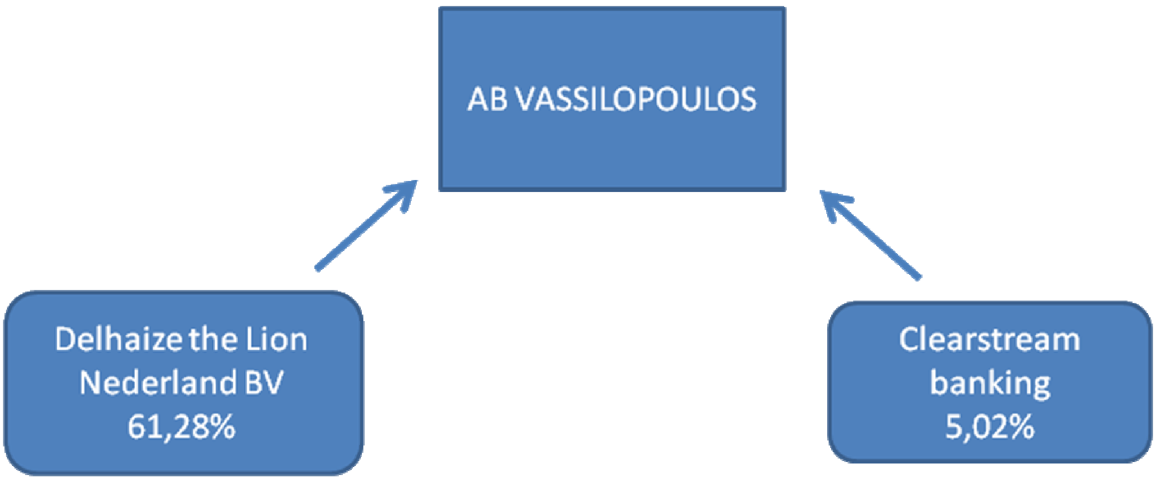


Figure 5. Backward Analysis - Example B

In the second example (AB Vassilopoulos), although there is a share owner (Delhaize) of 61,28% the fact that Delhaize the Lion Nederland BV is widely held, allows us to classify the company as widely held.

Next, using a threshold of 10% or 20% we examine the ownership status and we classify company as individually/family held (when an individual or a family owns 20/10 percent of the voting rights), widely held (when no individual or family owns more than 20/10 of voting rights) or government held (when states through various mechanisms controls more than 20/10 percent of the voting rights.

Since our interest is on voting rights (we search for the decision makers) we take into consideration only share that are accompanied by voting rights.

Findings on Corporate Ownership

The main findings of our research are presented in Table 1. As expected, ownership proves to be highly concentrated, with the vast majority of listed firms being held by individuals and families.

Companies in FTSE20 are almost equally divided in the three ownership buckets. With a threshold of 20%, seven out of twenty companies are widely held, seven are government held and six are individually/family held. If we lower the threshold to 10%, then one company (ELLAKTOR SA) shifts from widely held to individually/family held, ceteris paribus.

Results are quite different for the next 40, in size terms, firms (FTSE XA mid40). Only 7,5% of them is government held, while 27,5% is widely held and a majority of 65% is individually or family held. Moreover, if we lower our threshold to 10%, the individually/family held percentage increases to 72,5%, quite higher than what most of the previous studies found for Greece.

For the 60 biggest companies as a total, the percentage of widely held firms is 30%, of government held 16,67% and for individually/family held 53,33%. The corresponding percentages for a threshold of 10% are 23,33%, 16,67%, and 60%.

We notice that, the twenty larger companies (analytical ownership status for FTSE20 in Appendix I) are characterized by more diffuse ownership than smaller ones (FTSE XA mid40). This is not a surprising result. Bigger need for capital drives companies to the financial markets. As we saw before, companies in FTSE20 scored better in MSPs questions for Grant Thornton research. Again, findings seem to attest a story: higher capitalization needs drive corporations to capital markets, but investors seek for guarantees assuring that their rights won't be expropriated and that company will be functioning for their benefit and not for managers' or blockholders' self interests.

The important number of State Owned Enterprises (SOEs) in the Greek market is another factor to take into consideration. Greece was sixth among 30 OECD countries as far as concerns the size of the public sector and third in asset value of SOEs in a sample of selected OECD countries (OECD, 2005). In our sample 17% of companies were government held.

We expect that after the addition of the rest 238 listed firms in our sample, the percentage of government held firms and the percentage of widely held firms will be reduced, in contrast with the percentage of family/individually held companies which is expected to increase. This will lead to further deviation from previous studies.

A first explanation for this variation is the fact that, due to the comparative character that most of the previous studies had, less attention was paid to smaller firms that are not included in FTSE20, and are small sizes in an international comparison.

Moreover, researchers, as mentioned, found it hard in some cases to obtain data for companies outside FTSE20 (sometimes it was difficult to obtain data even for the FTSE20 firms), thus resulting to less accurate results.

	FTSE20		FTSE XA mid40		FTSE20+FTSEXA mid40	
Threshold	**20%**	**10%**	**20%**	**10%**	**20%**	**10%**
Widely held	35,0%	30,0%	27,5%	20,0	30,0%	23,3%
Government held	35,0%	35,0%	7,5%	7,5%	16,7%	16,7%
Individually/ family held	30,0%	35,0%	65,0%	72,5%	53,3%	60,0%

Table 2. Findings on ownership concentration for the 60 biggest (in capitalization terms) listed companies in ASE

Political Interpretation

We can now formulate our hypothesis: *The prevalence of blockholding/stakeholder CG pattern (dependent variable) in Greek corporations is result of the underlying political circumstances in Greece as the relevant literature dictates.*

This hypothesis could be further analyzed like that: The high degree of ownership concentration in Greece emerge from politics (independent variables), from the prevalence of a coalition which prefer this CG pattern and which articulates its preferences in a helpful institutional system. Those politics lead to specific policies (intervening variables) namely to a higher degree of coordination (DoC) and lower minority shareholder protections (MSPs).

In order to better understand the political outcome, we should look back at the origins of the modern Greek economy. In doing so, we must focus on the developmental character of the Greek economy during the decades that followed World War II (Pagoulatos, 2003). At this period, is pointless to seek explanations in conflict of different interest groups because of the absence of a civil society capable to articulate political demands (Tsoukalas, 1987; Mouzelis and Pagoulatos, 2002). Moreover there were not any competing policy alternatives but the Import Substituting Industrialization – ISI (Pagoulatos, 2003).

The underdevelopment of the Greek financial market and the lack of own fund lead to tight linkages between banks and their corporate borrowers (Halikias, 1976). Contrary to what happened in Germany, Greek banks failed to transfer valuable know how or to develop mechanisms for evaluating technical and financial feasibility of the proposed projects. The closed family structure of domestic firms and the discontinuity and brief tenure of appointees in the administration of state controlled banks worsened things (Pagoulatos, 2003). The banks economic incentives to ration credit ended up reinforcing the status quo in the market by financing already established companies and not the new ones, thus hindering competition (Bourlakis, 1993). Industrial protectionism had the same effect.

The transition to democracy after 1974 was characterized by ideological extravagance, demagogic fervor and political maximalism (Pappas, 1998). After years of authoritarian suppression, sociopolitical demands reemerged invigorated, leading to a transfer of systemic power from state to societal politics, translated into a job-saving, industry protective commitment. In this context, development of financial markets was quite difficult.

Skewed toward political imperatives inconsistency, the developmental state was particularly susceptible to the uniform primacy of politics over policy during the South European democratic transition (Maravall, 1993).

Karamanlis tried to disconnect its party, ND from the authoritarian postwar Right. On the political front he legalized the Communist Party and established full political and civil rights. On the economic front, he nationalized a few large companies (including the Commercial Bank Group).

In 1981 Pasok sought to ensure a wide popular base of “nonprivileged” social strata through a broad range of often clientelistically targeted social benefits (Pagoulatos, 2003). In the second half of 1980s a domestic financial deregulation took place, which can be viewed as part of a wider EC momentum of marketization, liberalization and privatization. Financial deregulation increased the importance of capital markets both for investors and corporations, setting the basis for a first CG regulatory framework.

Capital mobility and growing integration of the world markets (globalization) shifted the balance of power between labor and capital. Capital markets became of high importance and many firms sought for capital in the stock market. The speculative crisis of 1999 was the driving force for a more comprehensive CG framework.

Conclusions

Corporate Governance in Greece is still underdeveloped, even if important steps have been made since 1999. The prevalent CG pattern is a highly concentrated ownership (individually/family held firms) accompanied by relatively low levels of protection for the minority shareholders.

Ownership is more diffuse as capitalization increases, indicating that external investors seek adequate assurances for their investments. The higher the dependency on capital market, the higher the possibility of engaging in more minority shareholder protections.

There are specific political determinants that lead to the dominance of the certain CG pattern. The developmental origins of the Greek economy, initiating a long history of state interventionism and the traditional family character of the Greek firms are two main factors that determined the foundations on which business sector developed in Greece. Subsistence of those characteristics and path dependencies re-boost the dominant model.

Bank directed development combined with the presence of state controlled banks is another element to take into consideration and requires further examination.

Although, politics and coalitions between owners, managers and workers do not seem to explain the origins of CG in Greece (in the absence of political articulation mechanisms), in recent years and in a context of globalization and market dominance with the instantaneously development of a civil society, political coalitions regain explanatory power.

And of course, we have to take seriously into consideration the EU factor and the attempts for further alignment in CG issues in a single market. Given the deep roots of CG variations, we have to reconsider which approach we will use for this alignment. It seems that a more soft approach, like the one widely known as Open Method of Coordination (OMC) is more appropriate.

Finally, further research is necessary to be held in CG field, especially in issues related to the recent financial crisis. CG weaknesses had a major role in this crisis and we are obligated to study them in order to avoid similar mistakes in the future and to build a more stable economic environment for corporations, ensuring lasting prosperity.

Appendix I. Ownership Status for FTSE20 (Athens Stock Exchange)

	FTSE 20	Threshold 20%	Threshold 10%
1	ALPHA ΤΡΑΠΕΖΑ Α.Ε.	Widely held	Widely held
2	COCA-COLA Ε.Ε.Ε. Α.Ε.	Widely held	Widely held
3	MARFIN INVESTMENT GROUP Α.Ε. ΣΥΜΜΕΤΟΧΩΝ	Widely held	Widely held
4	MARFIN POPULAR BANK PUBLIC CO LTD	Widely held	Widely held
5	ΑΓΡΟΤΙΚΗ ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ Α.Ε.	Government held	Government held
6	ΒΙΟΧΑΛΚΟ Ε.Β. ΧΑΛΚΟΥ ΚΑΙ ΑΛΟΥΜΙΝΙΟΥ Α.Ε.	Individually/Family held	Individually/Family held
7	ΔΗΜΟΣΙΑ ΕΠΙΧΕΙΡΗΣΗ ΗΛΕΚΤΡΙΣΜΟΥ ΑΕ	Government held	Government held
8	ΕΘΝΙΚΗ ΤΡΑΠΕΖΑ ΤΗΣ ΕΛΛΑΔΟΣ Α.Ε.	Government held	Government held
9	ΕΛΛΑΚΤΩΡ Α.Ε.	Widely held	Individually/Family held
10	ΕΛΛΗΝΙΚΑ ΠΕΤΡΕΛΑΙΑ Α.Ε.	Government held	Government held
11	ΙΝΤΡΑΛΟΤ Α.Ε	Individually/Family held	Individually/Family held
12	ΜΟΤΟΡ ΟΪΛ (ΕΛΛΑΣ) ΔΙΥΛΙΣΤΗΡΙΑ ΚΟΡΙΝΘΟΥ ΑΕ	Individually/Family held	Individually/Family held
13	ΜΥΤΙΛΗΝΑΙΟΣ Α.Ε. - ΟΜΙΛΟΣ ΕΠΙΧΕΙΡΗΣΕΩΝ	Individually/Family held	Individually/Family held
14	ΟΡΓΑΝΙΣΜΟΣ ΠΡΟΓΝΩΣΤΙΚΩΝ ΑΓΩΝΩΝ ΠΟΔΟΣΦΑΙΡΟΥ Α.Ε	Government held	Government held
15	ΟΤΕ Α.Ε	Government held	Government held
16	ΤΑΧΥΔΡΟΜΙΚΟ ΤΑΜΙΕΥΤΗΡΙΟ ΕΛΛΑΔΟΣ Α.Τ.Ε	Government held	Government held

17	**TITAN ΑΝΩΝΥΜΗ ΕΤΑΙΡΙΑ ΤΣΙΜΕΝΤΩΝ**	**Individually/Family held**	**Individually/Family held**
18	**ΤΡ. EFG EUROBANK ERGASIAS AE**	**Individually/Family held**	**Individually/Family held**
19	**ΤΡΑΠΕΖΑ ΚΥΠΡΟΥ ΔΗΜΟΣΙΑ ΕΤΑΙΡΙΑ ΛΙΜΙΤΕΔ**	**Widely held**	**Widely held**
20	**ΤΡΑΠΕΖΑ ΠΕΙΡΑΙΩΣ Α.Ε**	**Widely held**	**Widely held**

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List of Abbreviations and Acronyms

ASE	Athens Stock Exchange
CEP	Capitalist Economic Pattern
CME	Coordinated Market Economy
CG	Corporate Governance
DoC	Degrees of Coordination
EU	European Union
FTSE	Financial Times Stock Exchange
ISI	Import Substituting Industrialization
LME	Liberal Market Economy
MME	Mixed Market Economy
MSP	Minority Shareholder Protection
ND	New Democracy (Greek conservative party)
OECD	Organization for Economic Co-operation and Development
OMC	Open Method of Coordination
SOE	State Owned Enterprise

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Abstract
In the last two decades we are witnessing a tremendous growth on Corporate Social Responsibility (CSR). This growth shows that CSR proliferates on the boardroom agenda across many sectors and thus proves that modern corporations understand the need to give to their business a more holistic sense in order to ensure their viability. This paper starts with an introduction to the term of CSR presenting the main notions that have accompanied CSR through the years of its evolution. Thereafter, we present the literature review based on international studies on how CSR policies influence the consumers. In addition, we present some evidence based on past research that we conducted in the University of Bath as part of our postgraduate thesis; showing the extent that CSR initiatives of the UK mobile phone operators influence students purchasing decisions. Thereafter we emphasize to the few surveys that illustrate the discussion about CSR in Greece. Finally, the paper concludes by showing the existing research gap in this field and suggests new research's directions.
Key Words: Corporate Social Responsibility; Consumer Behavior

1. Introduction

In the last decades, we are witnessing a tremendous growth on Corporate Social Responsibility (CSR). More than eighty per cent (80%) of the fortune-500 companies address CSR issues on their websites (Esrock and Leichty 1998). CSR proliferates now powerfully on the boardroom agenda across many sectors suggesting that modern corporations understand the need to give to their business a more holistic sense in order to ensure their viability.

This paper tries to highlight the neglected research area of Corporate Social Responsibility (CSR) focusing on the influence that CSR initiatives have on the consumer's behaviour. In the beginning, we try to unfold the notion of CSR realising that no term has dominated in the international literature and we focus on the way CSR is being used and interpreted in Greece. Thereafter, we present a secondary analysis on the way CSR initiatives influence the consumers, counting on international relative studies. After that, we present some evidence based on past research that we conducted in the University of Bath as part of our postgraduate thesis; showing the extent that CSR initiatives of the UK mobile phone operators influence students purchasing decisions. Moreover, before we conclude, we illustrate findings from the two biggest studies that deal with the CSR perceptions of the Greek public.

2. The Notion of Corporate Social Responsibility

In an attempt to accurately define the concept of Corporate Social Responsibility (CSR) we realise that no single conceptualisation has dominated past research (Maignan and Ferrell 2004). We can say that CSR is the umbrella that covers a variety of theories such as Corporate Citizenship; Stakeholder Theory; Corporate Philanthropy; Corporate Responsibility; Corporate Social Policy. Of course, there are some differences among these concepts and in some cases; one theory is the continuation of another. However, in an endeavour to have a holistic view, this paper accepts all their similarities and interprets all concepts as one, using the term "CSR". Besides, this is the case in Greece where the term CSR, endorses all social and environmental, corporate actions. CSR evolved in Greece later than other countries like USA and UK. Because of that delay, all theories and discussions about CSR have been put aside and the term CSR was adopted generally describing all the relative corporate initiatives.

One of the first ideas of corporate social responsibility was the concept that managers needed to accept their social responsibilities (Clark 1916 cited in Andriof and Waddock 2002). However, the term of CSR has elaborated since that early approach. Bowen (1953) illustrated that Corporate Social Responsibility relies on two fundamental values that have constituted the basic premises for the development of its thinking: First, businesses operate at the satisfaction of society and second, businesses act as a moral representative within society (Bowen 1953 cited in Andriof and Waddock 2002).

Carroll (1979), after suggesting clearly that the cornerstone of the economic system and the main role of every corporation is to be profitable by the selling of products and services that have demand; gives his own definition: CSR includes all the economic; ethical; juristic and philanthropic demands that society requires from them any given moment.

A very important step for the launch of CSR was the Green Paper on CSR which presented by Commission in July 2001 and defined CSR as '*a concept whereby companies integrate social and environmental concern in their business operations and in their interaction in their stakeholders in a voluntary basis'* as they are aware that responsible behaviour leads to sustainable business success (European Commission 2002). Some European governments put CSR in high priority like the UK's where a CSR minister in March 2000 appointed (Idowu and Towler 2004).

It is worth noting that Corporate Social Responsibility is dealing with the attention of business to various matters such as community involvement, socially responsible products and processes, and socially responsible relations among the employees (ICSSR website 2003). Bowen (1995) argues that a corporation operates on a social responsible way when the corporation's aim to make profit is been achieved while the corporation acts respecting individual rights and justice, and honours the moral minimum (cited in Andrif and Waddock 2002).

Additionally, it is notable that one of the most responsible things an organisation can do is to be profitable, providing that way '*sustainable jobs for its employees, good returns for investors and prosperity for the communities in which it operates*' (Andriof and Mcintosh 2001). Besides, when a firm is profitable, pays a big amount of money in taxes and some of that money returns to the community in forms of government programmes and investments. Likewise, Drucker (1984) argued that the first social responsibility of business is to immunize adequate profit to cover the future costs.

The increasing power of corporations coupled with the globalisation phenomena creates even greater need for corporate transparency and accountability. An intense anti-globalisation movement in issues such labour, human rights, transparency and anti-corruption programmes, and environmental protection and sustainability, has accused the modern corporations. An endeavour to answer these shifts has been by many corporations the acceptance of CSR (Andriof and Waddock 2002). Moreover, corporations and stakeholders are likely to increase their collaboration, as intensive pressures demand higher levels of CSR while at the same time corporations face greater pressures from supporters and the public for environmental protection (Rondinelly and London 2002).

In addition, CSR becomes even a necessity of the modern corporations due to the maturing and growth of the social responsible investment (SRI) trend (Sparkes and Cowton 2004). Similarly, CSR gets to the centre of the UK corporations because of the expansion of ethical consumerism (Zadek et al 1997). Hence, corporations should have to take all these in consideration and adopt CSR practices in order to avoid boycotts and to attract sophisticated customers.

It is noteworthy that the vague definition of CSR creates difficulties in tracing and explaining the socially responsible corporation. Some believe that a socially responsible company is the one that adopts CSR policies. Nevertheless, how can we recognize as a responsible one, a corporation that uses CSR practices for the environment and the society but at the same time treats unfairly its employees? In parallel, for some it is adequate to recognize a responsible company when nothing bad for immoral behaviour is being heard against it. Moreover, some define a responsible company when the CSR principles are well embedded in the strategic planning and are the basic prerequisite of every action and behaviour.

We have to clarify that the CSR policies do not require and do not guarantee the social responsibility of the firm. This view is empowered by the fact that the firms that were participating in the biggest corporate scandals that shocked the world (Enron; Qwest; Worldcom; Xerox; Microstrategy; K-Mart) had at least one CSR practice. Swift and Zadek (2002) traced different CSR generations that can help us have a better understanding of the relation between CSR and the responsibility of the firm. Organisations that belong in the first generation of CSR follow the standards of their industry and adopt particular CSR practices in order to avoid risk in the long run. Their CSR commitment confines to their CSR practices and CSR is being used as another management tool (Papafloratos 2007). On the contrary, corporations that have been evolved to the second CSR generation, use CSR strategically as part of new management and corporate governance models. CSR is being placed in the centre of administration and determines every action and behaviour.

It is noteworthy that CSR debate takes place in Greece mainly during the last decade, showing great growth. Nevertheless, this does not mean that companies in Greece were disregarding their societal role or that no CSR policies could have been traced (Papafloratos 2007). Quite the opposite, the examples of corporations that were pioneers regarding CSR are many and important. However, the vital difference is that no systematic CSR action existed, the actions were mainly philanthropic; the employees were not participating and every initiative was depending on the good will of the owners of the (usually) family company.

If we follow the recent CSR developments in Greece and go through the CSR reports, we can say that the vast majority of corporations that deal with CSR belong in the first CSR generation. Greek corporations often equate their social responsibility with their external CSR actions or their participation in CSR networks. The most important CSR network in Greece is the Hellenic Network for CSR (www.csrhellas.gr), which gives its own CSR definition: "*As CSR, we mean the ethics a business uses for its relations with society. More specifically, this includes the responsible activities of its management in its relations with other stakeholders*".

3. The Relation between CSR Initiatives and the Consumers

After the endeavour to understand the notion of CSR, we can see now the literature on studies that explore the relation among CSR initiatives and the consumers. The first worldwide survey on the expectations that the public has from corporations, was developed and coordinated by Environics in 1999 named 'The Millennium Poll on CSR' and involved representative sample groups of 1,000 citizens from 23 respective countries globally. The survey revealed, among other things, that two third of citizens desire the companies' contribution to broader societal roles, setting higher ethical standards and helping the creation of a 'better' society. Moreover, twenty percent (20%) of the consumers during the past twelve months had either rewarded or punished companies on the basis of their social performance and almost the same amount of consumers have considered doing so. The percentage of people that have actually engaged in such behaviour reaches thirty-nine per cent (39%) in Northern Europe, with fourteen per cent (14%) having considered doing so. Furthermore, as the findings of the survey illustrate, half of the respondents get influenced in the way they perceive a company, according to its social performance.

Similarly, on the findings of the Millennium Poll on CSR, Environics International conducted the 2002 CSR Monitor involving sample groups of 1,000 citizens from twenty five different countries. The results of the research show that one third of the consumers actively reward ethical corporate behaviour and in contrast punish the unethical one. In addition, thirty per cent (30%) of shareholders declared that they would sell off their shares in a company that acted in a socially irresponsible way; even if the earnings were important.

Furthermore, according to the MORI research conducted in 2003 on British public's views of Corporate Responsibility (2,026 GB adults), the majority of the respondents did not think that most companies listen and respond to public concerns on social and environmental matters although that was a vital issue for them (Dawkins 2004). At the same time thirty-eight per cent (38%) of the public, stated that when they decide to purchase it is very important for them that the company they are going to choose shows a high degree of social responsibility. Thus, answering the question '*when forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility*? Eighty-four per cent (84%) answered that it is important for them (38% answered very important and 46% fairly important). This percentage was seventy per cent (70%) in 1997 which shows that the consuming public has become more sophisticated and sceptical about its purchasing decisions.

Similarly, a Walker survey (1994) showed that half of the consumers are more likely to purchase from an organisation which has good social reputation, while six in ten are more likely to avoid an organisation with a bad reputation (Goodmoney website). In addition, research conducted in 1999 by "Fleishman-Hillard", an international public relations agency, found that eighty-six per cent (86%) of the respondents would consider themselves more likely to buy a product or service if they learnt that the company which offers the product or service helps to improve society (Prpundit website).

One of the most important surveys about American consumer attitudes towards CSR was conducted by Roper Starch Worldwide and Cone/Coughlin Communications in 1993 using as a sample of 2000 men and women aged 18 years or over (Cone/Roper 1994 cited in Simon 1995). Sixty-four per cent (64%) of the respondents stated that CSR should always be included in a firm's activities and eighty-five per cent (85%) declared that they would look more favourably upon a company that supports a cause they cared about. In addition, the survey shows that CSR attracts new customers, as seventy-six per cent (76%) would consider switching to brands that share their interest for the community (Jones 1997 cited in Maignan and Ferrel 2001).

Brown and Dacin (1997) showed that a negative image of CSR can damage the consumer's valuation of a product or a service while in contrast a positive CSR image can improve product evaluations. Hence, CSR can create the context where the consumer develops purchase intentions because he/she has a positive image for the company. A survey conducted by Creyer and Ross in 1997 highlighted the way consumers think about corporate responsibility issues and the factors that influence their purchase decisions. Among others, consumers reported that they expect corporations to behave ethically; they included the ethicality of a firm as one of the key factors they take into account when purchasing and they are ready to reward ethical actions by paying higher prices for a product from an ethical company. In the same direction, the UK TGI survey for 2002 indicated that sixty-seven per cent (67%) of respondents agree with the statement 'it is important that a company acts ethically' (Bmrb website, a).

One of the few studies that focused on students' attitudes towards CSR was conducted by the Pathfinder Research Group which worked on the responses of 772 students in eight countries (Goodmoney website). Eight in ten students said they were trying to recycle on campus and seven in ten preferred products and packaging that were environmental safe while fifty-eight per cent (58%) reported their willingness to pay slightly more for these kinds of products. Likewise, a survey involving over 1.000 students worldwide revealed that CSR is one of the important issues that students take into consideration when forming an impression about a corporation (Globescan website). The same research also indicates that CSR has a crucial role in the students' future employment decisions as one in two students claim that they would not apply for a job with an irresponsible company. It is notable, that especially the North American and the West European students engage CSR actively in their purchase decisions as the majority claims to have punished a company that behaved in a socially irresponsible manner.

In contrast to the above arguments, we can find evidence suggesting an opposite view. It has been argued that consumers do not feel strongly about corporate ethics, which can be illustrated by three factors (Millard Brown website). Firstly, if social responsibility was an important issue; the market share of most ethical brands would not be so small (only few of the 'ethical' brands take a share in the market of over 3 per cent (2004). In addition, research shows that an overall link between corporate perceptions and the consumer's apprehension of brands does not exist. For instance, although 'Nike' received one of the lowest corporate reputation scores in a BRAND study, it received at the same time one of the highest bonding scores in the market. Similarly, whereas in a research by "Millward Brown" in 2002, some seventy-five per cent (75%) of the sample of UK consumers had boycotted a brand or chosen to purchase a brand stating as a criterion the way the company behaves, a significant number of consumers did not include ethics in the reasons that made them take such decision.

The awareness among the public for social and environmental corporate practices is very low (Dawkins 2004). Only thirty per cent (30%) are able to name a company that they think is particularly ethically, environmentally or socially responsible and only thirty-seven per cent (37%) can name a particular company that has practices to help society or the community. MORI research may indicate that the Western consumer has become more sophisticated and sceptical but a sophisticated consumer does not perforce consume ethically (Titus and Bradford 1996). It is notable that the majority of the public is merely expressing concerns about these issues but does not place ethical considerations above other criteria regarding purchasing decisions. As a previous survey of MORI (2000) for the Co-operative bank shows, only 5% of the public puts ethical considerations as the most important criterion for buying a product or service (cited in Dawkins 2004).

In addition, although the MORI research (2003) shows thirty-eight per cent (38%) of respondents thinking as very important the social responsibility of a firm when purchasing, it is notable that the equivalent percentage in the research of 2001 was forty-six per cent (46%). Some may argue that this decline means that public lost its interest in CSR issues. However, the writers of the MORI research justify this downshift because of the difficult economic times after the September 11th terrorist attacks and the company scandals that reduced people's trust such as the Enron and Worldcom cases (Dawkins, 2004).

Furthermore, as the research of Carrigan and Attalla (2001) demonstrates, consumers will purchase in an ethical way only if it is convenient to them and they will not incur any extra cost in terms of added price or loss of quality. Yet, although more than half of the respondents of the Cone/Roper (1994) study stated that they are willing to pay more for a product or service whose company support a cause they care about; only the one fifth reported having bought a product or service over the past twelve months for the above reason (Simon 1995). Moreover, only twenty six per cent (26%) could recognize from a list a company as "most socially responsible" and only eighteen per cent (18%) could name a "least responsible" one, although the list included firms with sizeable differences in their social responsibility status.

Present research shows that CSR is not of great importance in the purchasing behaviour of the majority of the respondents while the most important criteria are price; value; quality and brand familiarity (Boulstridge and Carriggan 2000). Therefore, although consumers have the good will to buy ethical products or services they do not necessarily take purchase decisions having social responsibility issues as a top criteria (ibid).

It seems that '*all consumers react negatively to negative CSR information whereas only those most supportive of the CSR issues react positively to positive CSR information*' (Sen and Bhattacharya 2001:238). Although the upside of being seen to act ethically is limited to small portion of the population (only 5 per cent), the downside of behaving unethically is much greater as '*it is likely to repel the much larger number of consumers who have that* **latent** *desire for companies to behave ethically'* (Millard Brown website). Unethical corporate behaviour can cause a dramatic shift on the corporation's brands irrespectively of whether corporate ethics are not top priorities for the consumers' purchasing decisions (ibid).

The above findings agree with the arguments of some writers that consumers punish irresponsible behaviour more than they reward its ethical counterpart (see for example Reeder and Brewer 1979; Skowronski and Carlston 1987). Yet, it is noteworthy that the patterns of consumers' behaviour in a previous decade show differences when compared with the consumer of today's world. Thus, those arguments might be true but do not assure their validity today.

Hence, Simon (1995) confutes these arguments suggesting that more consumers would encourage positive practices than boycotting the unethical behaviour. Furthermore, Dawkins (2004) argues that consumers feel the need to get more informed about Corporate Social Responsibility and the majority state that their purchases would be influenced if they were more informed about CSR practices. The observed lack of public awareness does not signify lack of interest in corporate responsibility issues, as seventy-four per cent (74%) of the public think that their purchase decisions would be influenced if they had more information about companies' ethical behaviour. Twenty-five per cent (25%) agree strongly with the above statement while forty-nine per cent (49%) slightly agree (ibid).

It is noteworthy that a comparison of the above studies can be ambiguous and the relationship of CSR and the consumer's behaviour is not a straightforward one. As it can be observed from the previous research findings and as we have already stated, there is a lack of consensus on the way the public appreciates CSR and on the way CSR influence purchasing decisions. However it is important to bear in mind that the above surveys used different methodologies, were targeted at different samples and some of them were focused on particular CSR initiatives. Thus, the full comparison between the findings must be avoided in order not to be misleading. Moreover, the development of CSR does not equally occur around the globe and so the value of worldwide percentages in general and not for each country in particular is questionable. Moreover, it is noteworthy that most of the large surveys were conducted from private research companies and not from academics. This can be justified because of the large budget long surveys require that often makes them "forbidden" to academia. Furthermore, a limitation of the above studies is that they try to find the influence of CSR in purchasing decisions in general and not in particular industries. That could be wrong as consumers often use different purchasing criteria for different categories of products.

Having that in mind, we can carefully try to identify some common findings in all previous research. First of all, the modern consumer demands a greater societal contribution from the businesses. The consumer in modern democratic societies involves a political dimension in the way of his thinking and action (Tsakarestou 2005). The contemporary business cannot give to its traditional role of profit maximisation an exclusive character. People understand the tremendous power that corporations have and thus expect them not only to behave ethically but also to be the carrier of change towards a better world.

In addition, it is commonly accepted that the way the public sees a corporation gets influenced by how responsible the company is. The more responsible a company is the better impression it gives to the public while the opposite applies when the company behaves irresponsibly. However, it is not always clear what exactly is meant by the term responsible and irresponsible behaviour.

However, the dispute among the various surveys is not the importance of a business' responsible performance on the impression the public forms for this business, but the extent that this has on the consumers' purchasing decisions. Some research findings argue that consumers are ready to pay even more for a "responsible" product or service while others claim that consumers will choose the "responsible" solution only when it is convenient and does not make them sacrifice other factors more important to them.

Furthermore, even the surveys that argue for the great importance that CSR has on consumer's behaviour recognize that awareness about particular CSR practices is very low. Although consumers would like to encourage CSR policies and practices, they are not always familiar with specific CSR policies and thus they do not consume "ethically". This lack of communication could lie both on companies and consumers. On companies because they do not make their CSR programmes better known via advertisement and on consumers because they do not always fully investigate the companies' profile before they choose to purchase. Of course today, the choices that a consumer has are too many and perhaps it is utopian to expect a consumer to have such particular knowledge anytime for any given product.

4. Personal Research on this Field

In an endeavour to contribute filling the above; vague research gap, we conducted research in 2004 as part of our Master of Science in Business and Community program in the University of Bath. We examined the extent that CSR initiatives of the UK mobile phone operators influence students purchasing decisions. In order to do that we analyzed secondary data material from companies' documentation; conducted semi structured interviews with the CSR managers of two mobile phone operators (Vodafone and O2) and dispensed questionnaires to postgraduate students of the University of Bath (departments of Social Policy and Management). Some of the questionnaire findings are going to be presented next as a continuation to our above discussion[1].

When we asked the students to choose from a list and rank their key decision criteria for choosing an operator, call debits was the most common criterion and the most important one. As figure I illustrates, forty-four per cent (44%) of the respondents

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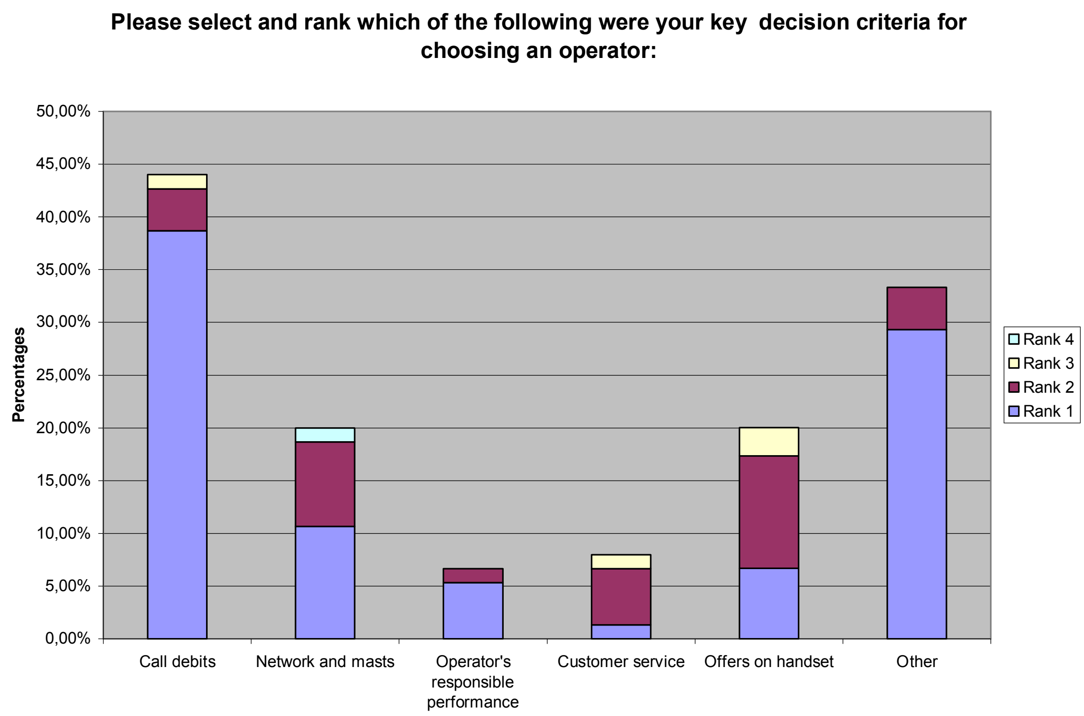
[1] For methodology and analytical findings see Papafloratos, T. (2004). *"To What Extent Corporate Social Responsibility Initiatives of the UK Mobile Phone Operators Influence Students' Purchasing Decisions?,* Unpublished Msc Thesis. University of Bath. Or contact via email: tpapafloratos@yahoo.gr

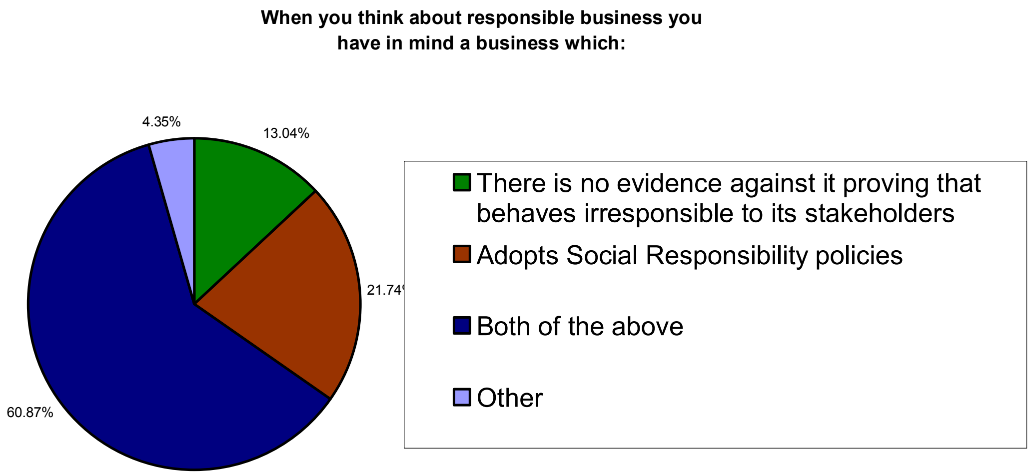
considered as a criterion the call debits of the operators (38.67% had rank it first; 4% second and 1.33% third). It is significant that the responsible performance of the mobile phone operators was a criterion only for less than six per cent (6%) but from the people that chose it; four in five had it as the most important. The social performance of the operators was the least important criterion that people take into consideration when they choose an operator, left behind customer service, offers on handset, network and masts and call debits.

Figure I



As figure II shows, more than twenty-one per cent (21%) of the respondents think that a responsible business is a business that adopts social responsibility policies while thirteen per cent (13%) compromises if there is no evidence of irresponsible behaviour against it. Yet, the vast majority (60, 87%) has in mind when thinking of a responsible business a business that there is no evidence against it proving that behaves irresponsible to its stakeholders but at the same time adopts CSR policies.

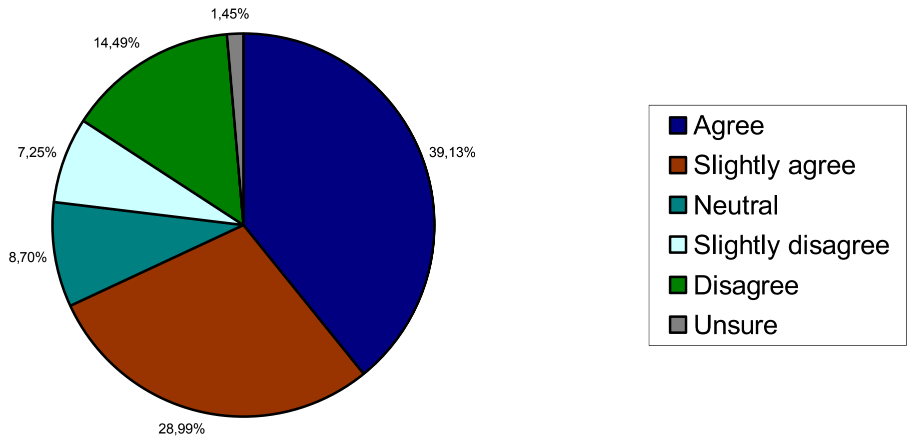
Figure II



The vast majority of the students confirmed the importance that CSR has on the way they see a business. As we can observe in figure III almost seven in ten of the respondents tend to agree that an organisation that does not adopt CSR policies is not acting responsibly to its stakeholders. In fact thirty-nine per cent (39%) agreed with that and twenty-nine per cent (29%) slightly agreed. In contrast, only fourteen per cent (14%) disagreed and seven per cent (7%) disagreed slightly.

Figure III

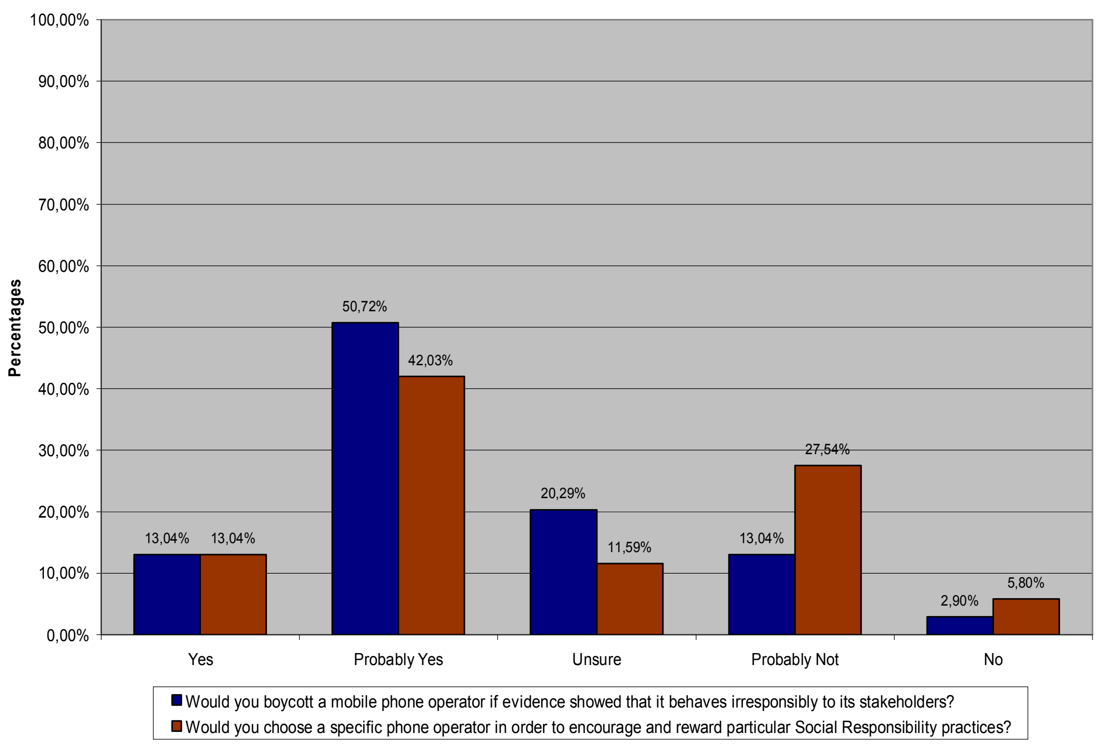
To what extent would you agree or disagree with the following statement: An organisation that does not adopt CSR policies is not acting with responsibility towards its stakeholders.



In addition, as our findings demonstrate most of the respondents showed how important is for them that a company behaves responsibly and claimed that they would change their purchase decisions and boycott a mobile phone operator if they would realize that it behaved irresponsibly to its stakeholders. Thus, half of the students said they would probably do that and thirteen per cent (13%) stated they would. Two in ten are not sure if they would boycott an irresponsible mobile phone operator and only near three per cent (3%) said they would not do that while thirteen per cent (13%) said they would probably not.

However, things were different when students were asked if they would choose a specific mobile phone operator in order to encourage and reward particular CSR practices Again, the majority said they would do that with forty-two per cent (42%) stating that they probably would and thirteen per cent (13%) stating that they would. The percentage of those who were unsure was twelve per cent (12%) and the ones saying they would probably not engage in such behaviour reached twenty-six per cent (26%) while students who answered a straight no, were equal to five per cent (5%). The responses to the above two questions are presented in correlation in figure IV.

Figure IV
Purchasing reactions on the basis of social performance



Moreover, as we clearly see in table 1, most of the respondents could not distinguish the responsible performance of the mobile phone operators and they scored them as 'neutral' on an average of eighty per cent (80%). In the best position on the respondents' view seems to be Vodafone which has been scored 'neutral' from "only" sixty-two per cent (62%) while one in ten scored Vodafone's social performance as 'very good' -the highest of six- and fourteen per cent (14%) scored it as 'good'. In the next positions seems to follow Orange and O2 where the 'neutral' evaluation of social performance is near seventy-one (71%) and seventy-four per cent (74%) respectively. In the case of O2, fifteen per cent (15%) graded it as 'good' and three per cent (3%) as 'very good'. In Orange's case seventeen per cent (17%) scored it as 'good' while three per cent (3%) as 'very good'. However, it is noteworthy that O2 and Orange had been scored 'bad' and 'very bad' from the least respondents (1.56% and 1.59% respectively) while Vodafone's social performance was scored as 'bad' and 'very bad' from six per cent (6%). Three, T-mobile and Virgin did not receive 'very good' from the respondents but five per cent (5%) scored Three and T-mobile as 'good' and in the case of Virgin eleven per cent (11%).

Table 1
Mobile phone operators' score on social performance

MPOs \ Answers	Very good	Good	**Neutral**	Bad	Very bad
O2	3.13%	15.3%	**79.69%**	1.56%	0%
Orange	3.17%	17.46%	**77.78%**	1.59%	0%
Three	0%	4.84%	**87.10%**	3.23%	4.84%
T-mobile	0%	4.92%	**88.52%**	3.28%	3.28%
Virgin	0%	11.11%	**82.54%**	3.17%	3.17%
Vodafone	11.11%	14.29%	**68.25%**	4.76%	1.59%

Furthermore, the findings of the questionnaire reveal the low level of awareness that public has about particular CSR practices. Near seventy-eight per cent (78%) responded that they were not familiar with any CSR practices that mobile phone operators have. Sixteen per cent (16%) were able to recognize a CSR practice of Vodafone while ten and nine per cent could recognize a CSR policy from O2 and Orange respectively. It is notable that only 1, 45% per cent was familiar with a CSR practice of Three and T-mobile while no one was able to recognize a policy from Virgin.

In addition, close to one third of the respondents think that most mobile phone operators in the UK respond to public concerns on social and environmental issues with five per cent (5%) to agree with this statement and twenty-four per cent (24%) to agree slightly. More than half of the respondents were unsure about this while twelve per cent (12%) slightly disagreed and five per cent (5%) disagreed. However, one third of the respondents did not think that most UK mobile phone operators are doing their best to meet their social and environmental responsibilities. Almost one in two respondents was unsure whereas twenty per cent (20%) believed that the UK mobile phone operators are doing their best in this field.

The respondents' opinion varied about the information given out from mobile phone operators regarding their responsible behaviour. More than one third trusted this information with thirty-four per cent (34%) stating that they probably trust it and only 1, 5 per cent trusts it completely. Less than thirty per cent (30%) were unsure whether they trust or not this information while thirty-five (35%) per cent reported that they probably do not trust it and 1,5 per cent does not trust it at all.

We observed that the majority of students would be expected to boycott a mobile phone operator if evidence showed that it behaved irresponsibly to its stakeholders. But for the students, irresponsible behaviour means that mobile phone operators do not use CSR practices. In fact, students confirmed the above point directly when seven in ten stated that an organisation that does not adopt CSR policies is acting irresponsibly to its stakeholders (figure 3).That implies that they would boycott a mobile phone operator that does not include CSR in its business. In parallel, more than half of the students stated that they would prefer a mobile phone operator in order to encourage its particular CSR practices.

Nevertheless, only less than six per cent (6%) used the responsible performance as criterion to choose the mobile phone operator they were using. We believe that the answer to this ambiguity is the fact that most students do not have any knowledge for the CSR initiatives of the mobile phone operators. As we saw, the vast majority believes that the mobile phone operators' social performance is neutral and is not able to recognize CSR initiatives of those companies. However, our findings imply that the purchasing decisions of the students would be influenced if they had knowledge about CSR. So, most students not only would prefer a mobile phone operator if they knew that adopts CSR practices but at the same time they would boycott one operator that does not use CSR initiatives.

5. The Case in Greece

Research in the CSR field in Greece is limited. CSR has just recently got the attention of a few Universities departments but academia besides some minor exceptions does not deal with research in this area. The most important research is being conducted 5 times in different years by the Institute of Communication (Non for profit organisation) with the collaboration of the department of Communication, Media and Culture of Panteion University and under the support of the Hellenic CSR network. This is part of a universal research project of Globescan Inc. and deals with 1,001 citizen's sample from each country of the 31 countries that is being conducted. The findings of this research highlight the murky CSR landscape in Greece. Thus, it is useful to see the most important ones (www.ioc.gr).

The Greek consumers that have actually rewarded a social responsible business either by buying its products or by talking for it positively to others reach fifty two per cent (52, 2 %). This is an increase of thirteen per cent (13, 1%) regarding the findings of 2008 and an impressive increase of forty one per cent (41%) in relation with the findings of 2004. Respectively, the consumers that have not thought to be engaged in such behaviour constitute the forty six percent (46, 4%) marking a decrease of thirteen (13, 8%) in relation to 2008. However, it seems that Greeks prefer to punish the unethical businesses than to reward the ethical ones. Greeks came second among nine European countries in people who punished or consider punishing an unethical business by boycotting its products or by talking for it negatively to others. Italians came first, Greeks second and consumers from UK; Spain; Turkey; France; Portugal; Germany and Russia, follow respectively. It is notable that sixty four per cent (64%) of the respondents have been engaged in such behaviour with forty six per cent (46%) claiming that have actually punish a company which they do not consider it as socially responsible and eighteen per cent(18%) thought doing so.

Moreover, according to this research, Greek consumers want to see the corporations be active and innovative towards the improvement of society and the local community. It is very important that the respondents place the environment as a matter of high priority for the corporations to act. Poverty; human health; education and vocational training; criminality and security; arts and culture complete the list of the issues that modern corporations have to take action towards a better world. An interesting point is that the option: *all of the above* ranks third among the above choices in contrast with the option: *none of the above, which* got the lowest percentage.

Another important survey which deals with CSR issues in Greece is the Awareness and Social Behavior Index (A.S.B.I.) conducted by Greek company: "MEDA communication S.A." (www.meda.gr). This research is being conducted since 2003 tracing citizens' behavior regarding CSR and providing a social Barometer of the Greek society. At the same time, the vast majority of employees in private and public sector declare that is quite and very important for them to work for an organization which has social or environmental actions. It is notable that nearly six in ten of Greeks say that their consumer behavior would have been (enough or much) influenced if they had been more informed for the social and environmental initiatives of the corporation they work for. Moreover, according to the research, one in three (31, 4%) citizens wishes the corporate evolvement in actions for the environmental protection; one in four (25 ,8%) prefers to see a responsible attitude to the consumers and the market's function while about one in five (21, 2%) demands the corporate participation to the solution of social problems. Finally, the rest eighteen per cent (18,5%), wishes a corporate involvement in issues that have direct relation to the employees (A.S.B.I. 2008).

The above studies show that Greek society starts forming consciousness on socially responsible consumption issues, something that was missing in the near past (see Tsakarestou 2005). As Tsakarestou predicted in 2005, CSR has started being integrated in Greek society through the actions of The Hellenic Network for CSR, CEOs of several companies, business federations, the academic community and the Greek government which raise business and public awareness on CSR.

6. Epilogue

This paper tried to highlight the undeveloped research area of Corporate Social Responsibility focusing on the extent the CSR initiatives influence the consumers. Firstly, we wanted to elaborate the notion of CSR as a concept and tool that has been evolved through the decades. We observed a lack of a leading term in the literature and that CSR is being used as an idea that covers a variety of actions and suggested behavior. Moreover, we debated the difficulty in tracing the socially responsible business and discussed briefly the CSR evolution in Greece where CSR is used as an impulse that adopts all relative theories.

Thereafter, we highlighted the area that the title of this paper indicated. What the relation between CSR and the consumers is. We reviewed past studies on this research field and realized that contradictory findings exist. There is research evidence proving that consumers really care about CSR initiatives when purchasing but at the same time other studies undermine such positive relation. Thus, the title's question is hard to be answered with a straightforward way and we proved theories suggesting that there is a lack of consensus on the way the public appreciates CSR and on the way CSR influence purchasing decisions..Thereafter we presented briefly some findings of personal research in this field conducted as part of the Msc in Business and Community in the University of Bath noticing among others, according to our findings, that the purchasing decisions of the students would have been influenced if they had better knowledge about CSR issues. It is important to notice that the development of CSR does not equally occur around the globe and so the value of worldwide percentages in general and not for each country in particular is questionable

Ensuant to the above, we presented briefly some relative findings from the few studies that focus on the way Greek public deals with CSR issues. It is notable that Greek citizens-consumers make progress regarding their sensitivity and their reactions to CSR related topics. The relation between Greek public and CSR and especially the extent that CSR initiatives influence purchasing decisions has not been studied in an adequate way, offering space and incentives for further research. CSR would play an empowered role in the new governance models in Greek and European level so new studies in this field are needed in order to understand its dynamics.

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