

# Greek Hidden Champions: Lessons from Small, Little-known Firms in Greece

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The purpose of the research described in this paper is to first identify successful Greek SMEs that can be qualified as 'hidden champions' and second to uncover the factors that have contributed to their success. These factors relate to their choice of markets served, their relationships with customers and suppliers, innovative behavior, leadership and human resources management practices. The findings suggest that four overall themes or 'recipes' may explain the success of these firms: (a) intense specialization in narrowly defined market segments, (b) commitment to customer service, (c) innovative culture and adaptation to new technologies, and (d) strong leadership and a healthy organizational climate. © 2000 Elsevier Science Ltd. All rights reserved

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## Introduction

Can small- and medium-sized enterprises (SMEs) in a small country like Greece survive, not to mention succeed, among today's global giants? What strategies should they adopt in order to compete against the large multinationals? Is their only chance to become niche players? Can they hope to expand beyond their home market? Can they secure a better or different relationship with customers other than

large competitors? Can they find ways to innovate and provide high value added products and services to their customers? What type of competitive advantage should they seek? These and similar questions are of critical importance for SMEs and become even more relevant in small countries, like Greece, on the periphery of the EU.

The contribution of SMEs in terms of innovation, creation of new jobs and economic revival of regions and localities is widely acknowledged (Dutta and Evrard, 1999). On the other hand, although nearly a million new firms register each year within the EU15 (EPU, 1997) it is also true that about an equal number exit the market, mainly because of their inability to compete against the large multinationals with their ample financial and human resources. According to a recent OECD study (OECD, 1997) a significant proportion of SME's will be threatened by international competition and are unlikely to survive in the long run.

Although it is difficult to come up with some generally accepted conclusions it is recognized that cost cutting, outsourcing, mergers and networking as well as strategic alliances are commonly prescribed means to address the challenges of globalization (OECD, 1999). It is not clear, however, the extent to which those policies can ensure the long-term competitiveness of SME's in small countries like Greece. Research on the subject is not sufficient to draw definite conclusions.

In contrast, SMEs in advanced economies have been

the subject of extensive research (see for example, Glifford and Cavanagh, 1985; Page and Jones, 1989; Taylor *et al.*, 1990; Tonge *et al.*, 1998). A particularly interesting study is that of Simon's (1996) which focuses, mainly, on German firms and which has been published in a book entitled '*Hidden Champions: Lessons from 500 of the World's Best Unknown Companies*'. As the subtitle of the book indicates, Simon identifies a large number of small- and medium-sized firms that have not only managed to successfully compete against the large multinationals but also to prosper in terms of better than average profits and strong growth rates. Furthermore, such firms, although world class, are not well known, hence the term 'hidden'. Finally, the term 'champions' refers to their dominant position in the global marketplace where they are either leaders, or close followers in their respective market niches. The major purpose of this paper is to examine if the type of 'hidden champions' identified by Simon also exist in less advanced and smaller countries like Greece?

Greece is an interesting case given its recent joining of the Euro. As economic progress can only be achieved at the micro-level, it must be made sure that the Greek SMEs (making up the great majority of Greek firms) can improve their competitive posture in order to become capable of competing in the unified European Union market. The research described in this study is of particular interest for the Greek economy and firms so that it can be determined if there are also Greek 'hidden champions' and if so how their success story can be replicated by other Greek SMEs in their competitive battle with other firms from the EU and outside.

The purpose of the research described in this paper is to first identify Greek SMEs that can be qualified as 'hidden champions', and second, to uncover the factors that have contributed to their success. For a firm to qualify as a 'hidden champion', it has to have achieved outstanding performance, sustained over a relatively long period of time, so that its success cannot be attributed to chance reasons. Some of the questions to be answered are the following:

How do hidden champions choose their national and international markets? Do they adopt new technologies? Do they develop innovations on their own or are they followers? What is their relationship with customers, suppliers and other partners? What are the qualities of their employees and attributes of their leaders?

Answering these and similar questions provides a way of finding commonalities among the hidden champions so that their overall operational and strategic characteristics can be described and evaluated.

This paper is organized as follows. The first section briefly describes the methodology used for carrying out the research as well as the analytical framework utilized. The second section presents the Greek hid-

den champions and describes the factors that have contributed to their success. There is also a concluding section discussing the findings and their implications and offering some directions for future research.

## Methodology and Analytical Framework

A major issue faced from the beginning by this study was what firms to include and how to precisely define the hidden champions. Although some degree of subjectivity is practically inevitable, it was decided that 'hidden champions' ought to be selected from all sectors of the economy (i.e. manufacturing, commerce and services) and fulfil four criteria:

- (a) they should be Greek owned,
- (b) they should employ more than 20 and less than 250 employees,
- (c) they should be internationally orientated by either obtaining some of their revenues from outside Greece or by being part of joint ventures or other types of cooperation<sup>1</sup> with companies from outside Greece and finally,
- (d) they should have achieved excellent performance, for the last five years (i.e. 1993–7) in several financial measures with the main one being the return on own capital.

Using the ICAP database, a standard source of financial data on Greek firms, and following a multi-stage selection process (see Appendix A for a detailed description), 20 firms were selected that fulfilled the criteria for 'hidden champions'. Six of these firms were in the industrial sector, another six were in the commercial sector, and eight in the service sector of the economy (Table 1 shows a list of these twenty firms).

The next stage was an in-depth interview with the CEOs of these twenty firms. Such an interview was performed using a predetermined, semi-structured protocol, that sought to collect qualitative information along the following four interrelated dimensions of competitive behavior:

- (a) Market Scope
- (b) Customer/Supplier Relations
- (c) Operational and/or Strategic Innovation and Technological Excellence and
- (d) Human Capital and Leadership.

The above four criteria that formed the basis of the in-depth interview were adapted from previous research studies in this area and especially from the work of Simon (1996). The interview constituted a significant component of the final selection process so that the competitive position of the various firms

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