Title: The examination of EU competitiveness and trade policy in the comparative political economy of Sweden and Greece and its implications for exports of Small and Medium Sized Enterprises (SMEs).

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List of Abbreviations

ALMP	Active Labour Market Policies
ASEAN	Association of South East Asian Nations
CBA	Collective Bargaining Agreement
CC	Comparative Capitalisms
CEE	Central and Eastern Europe
CIT	Corporate Income Tax
CME	Coordinated Market Economy
CP	Council Presidency
CPE	Comparative Political Economy
DG	Directorate-General
DME	Dependent Market Economy
EC	European Commission
ECB	European Central Bank
EEC	European Economic Community
EGSEE	General National Collective Agreement
EIB	European Investment Bank
EIS	European Innovation Scoreboard
EKN	Swedish Export Credits Guarantee Board
EMU	European Monetary Union
EP	European Parliament
EPL	Employment Protection Legislation
ESEE	Hellenic Confederation of Commerce and Entrepreneurship
ESM	European Single Market
EU	European Union
FAC	Foreign Affairs Council
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GE	Global Europe
GPN	Global Production Networks
GSEVEE	Hellenic Confederation of Professionals, Craftsmen and Merchants

GVC	Global Value Chain
HME	Hierarchical Market Economy
HR	Human Resource
IB	International Business
IBV	Institution-Based View
IEC	Inter Ministerial Extroversion Committee
ILO	International Labour Organisation
IMF	International Monetary Fund
IPE	International Political Economy
IPR	Intellectual Property Right
IT	Information Technology
LME	Liberal Market Economy
MAS	Market Access Strategy
MME	Mixed Market Economies
MNE	Multinational Enterprise
NGO	Non-Governmental Organisation
NIC	Negative Institutional Complementarity
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
PIT	Personal Income Tax
QMV	Qualified Majority Vote
RBV	Resource-Based View
R&D	Research and Development
SBA	Small Business Act (for Europe)
SE	Southern Europe
SEK	Swedish Export Credit Corporation
SEV	Hellenic Federation of Enterprises
SME	Small and Medium Sized Enterprise
TU	Trade Union
UI	Unemployment Insurance
US	United States
VAT	Value Added Tax

VoC Varieties of Capitalism

WB World Bank

WEF World Economic Forum

WTO World Trade Organisation

Abstract:

Whilst the EU's (European Union) competitiveness and trade policies i.e Lisbon Agenda/Europe 2020 and Global Europe (GE) respectively have received attention in the scholarly literature, they have often been considered as two rather separate policy agendas. For instance, by focusing solely on external dimensions of GE (i.e EU's trade deals and trade performance of European firms) without interaction with its internal component (i.e member state's competitiveness), or, by focusing on Lisbon/Europe 2020 competitiveness agenda without the context of free trade and implications of competitiveness for export performance of firms. Hence, there is a need for a study which integrates the competitiveness and trade dimensions by accounting for divergent domestic political-economic environments and capitalist models within EU member states which play an important role in the mediation of broader European policies. The thesis addresses this literature gap by providing an integrated discussion of domestic competitiveness dimensions specifically in the context of free trade. It analyses Sweden and Greece, which represent two countries from the opposing sides of the free trade-protectionism spectrum and the opposing positions (core vs periphery) within the European Single Market (ESM). This doctoral project embraces analysis specifically in relation to SMEs. The aim is to explore whether Swedish and Greek SMEs benefited from the execution of competitiveness policies (Lisbon Agenda/Europe 2020) at their domestic environments and as a result internationalized their operations (through GE's free trade opportunities). This focus on SMEs is underpinned by the fact that GE is often perceived as a project that mainly enhances MNEs (Multinational Enterprises). The thesis investigates domestic competitiveness policies in the context of free trade, through three fundamental dimensions: 1) institutional structures of the Greek and Swedish variety of capitalism {i.e business environment, access to finance and tripartite/state-business relations} 2) government policy {trade, labour market and taxation} and 3) actions and behaviour of SMEs {i.e. survival and trade strategies of SMEs}. The project addresses the intellectual puzzle by building on inter-disciplinary academic literatures. These include International Political Economy (IPE) i.e Global Value Chains (GVCs) approach, International Business (IB) [particularly Institution-Based View (IBV) and Resource-Based View (RBV) to study internationalization of SMEs] as well as Comparative Capitalisms (CC) i.e Varieties of

Capitalism (VoC) approach to study domestic competitiveness. Empirically, the thesis argues that conduciveness of the domestic setting (i.e domestic institutions, governmental policies and SME actions) towards competitiveness, shapes and impacts the export performance of SMEs. This means that possession of these competitiveness elements nationally is important to facilitate exports of SMEs. Using empirical case studies, the thesis illustrates that the Swedish domestic setting was significantly more conducive towards competitiveness than its Greek counterpart, with material gains for Swedish SMEs via better export performance compared to Greek SMEs. The key contribution of this thesis rest on its emphasis on how the domestic setting affect the SME export performance, here the thesis identifies the mechanisms through which this occurs and how these mechanisms interconnect (i.e interrelation between domestic institutions, governmental policy and SME actions). Through analysis of these mechanisms, the overarching sources of strength in the Swedish domestic setting and overarching sources of weakness in the Greek counterpart are identified in relation to divergent SME export performance. Theoretically, the main contribution of the thesis is the usage of inter-disciplinary synergy between the Comparative Capitalisms and International Business approaches, in order to examine the empirical puzzle.

Declaration

A declaration stating: that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Introduction

SMEs including micro firms represent 99.8% of all businesses in the EU (European Union) [European Commission, 2017]. Due to their importance towards creating substantial portions of employment and value added to domestic economies of all EU member states, there is a need to design an appropriate set of public policies to support the functioning of SMEs. Such public policies should be oriented towards boosting the competitiveness of business climate for SME operations. Competitiveness is a key dimension of success in the global economy, because it shapes the productivity of firms, prosperity of countries, as well as international business activity (Porter, 1990; Huggins and Izushi, 2015; Huggins and Thompson, 2017).

This thesis follows some key definitions to conceptualise competitiveness. At a starting point, competitiveness can be defined as "The set of institutions, policies, and factors that determine the level of productivity of a country; The level of productivity, in turn, sets the level of prosperity that can be reached by an economy" (WEF, 2014; p 4). However, it also needs to be acknowledged that firms are the ones who are responsible for the creation of economic value in a country (Banwet et al, 2003; Garelli, 2012). Hence, it can be argued that there are two dimensions of competitiveness, namely macro and micro (Siggel, 2007; Waheeduzzaman, 2011), which relate to national competitiveness and firm competitiveness respectively. Following Bhawsar and Chattopadhyay (2015, p 6), this thesis defines national competitiveness as 'the ability of a nation to provide conducive environment to its firms and industries in order to raise the prosperity of the nation'. By contrast, firm competitiveness, following Chikan (2008), is defined in this thesis as an ability to meet customer requirements and make profit, or broadly speaking 'offer better products than competitors' (Bhawsar and Chattopadhyay, 2015 , p 6).

The competitiveness agenda, gained prominence in the EU since the start of the 21st century, and was formulated within EU's Lisbon Agenda and subsequently within Europe 2020. The EU's view of competitiveness also encompassed the above mentioned macro (national) and micro (firms) aspects, which reflected competitiveness dimensions from the two main exemplar capitalist models i.e Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs) [James, 2012].

The EU's competitiveness agenda is also interrelated with EU's agenda on trade i.e GE agenda announced at the end of 2006. Essentially, GE has two dimensions: internal and external. The external dimension, focuses on the EU signing free trade deals with third countries to allow European firms to internationalise (e.g via exports). The internal dimension of GE, relates to supporting the competitiveness of the ESM and of member states by creating a business friendly environment at domestic levels of member states and at EU level (European Commission, 2006). This internal dimension of GE, exemplifies the interrelated nature of national competitiveness and internationalisation (e.g exports). Despite this interconnected nature, the previous scholarly attention focused on GE and Lisbon Agenda/Europe 2020 in a separate manner. This thesis addresses this gap by investigating the intertwined nature of these policy agendas at the domestic level of two selected case studies (Sweden and Greece). These two contrasting cases (with divergent performances on competitiveness and SME exports) have been selected to reflect the heterogeneous nature of the EU in the context of its competitiveness and trade policies. As the time frame of analysis, the thesis focuses on the period between 2007-2017. Essentially, it starts after the GE was announced in late 2006; and focuses on the period of a decade-given that EU's competitiveness agendas are assessed by the EU itself on the basis of a decade.

The relationship between national competitiveness and firm internationalisation (e.g exports) is present in the literature. The domestic or national competitiveness can be conceptualised within the focus on the 'home country' environment- often understood in institutional terms. The limitations and obstacles within the home country environment are defined as one of the barriers to firm internationalisation (e.g exports) [Carter and Jones-Evans, 2006; Gao et al, 2010; Nguyen et al., 2013; Cuervo-Cazurra et al 2018]. In other words, it can be argued, that the 'home country' environment (with its conduciveness to competitiveness) shapes export propensity and intensity of firms (Tsukanova, 2019). Despite this knowledge, there is still scope to analyse more deeply the home country factors, mechanisms of impact; and impediments to firm internationalisation e.g SMEs exports, as defined in the literature (Laufs and Schwens, 2014; Paul et al, 2017). This thesis addresses this literature gap by answering the following overarching research question:

"How does the domestic setting affect the export performance of SMEs in the context of EU's free trade agenda?"

Moving beyond the existing literature which focused more on the causal correlation between the home country environment (i.e the domestic setting) and export performance of firms, for instance by using econometric methods- this thesis tackles a more nuanced puzzle in the above question. Essentially, it investigates how the domestic setting (i.e the home market) affect SME export performance. In doing this, it identifies the mechanisms through which this occurs and how these mechanisms interconnect. In terms of these mechanisms, the thesis concentrates on: (I)- domestic institutions, (II)- governmental policies and (III)- SME actions, all of which act as intervening/mediating variables. These variables are used to construct three supplementary questions which will be used to examine the overarching research question. These supplementary questions investigate the following: [Chapter 1 (see 1.3) will elaborate further on these supplementary questions]

(I) To what extent was the macro level domestic institutional framework supportive for the overall functioning and exports of SMEs?

(II) To what extent was the government policy conducive to functioning and exports of SMEs?

(III) To what extent the individual actions of SMEs at the micro level were conducive towards competitiveness and exports of SMEs?

In order to address these questions, the thesis will draw on a synthesis of theoretical tools from the three bodies of literature. There are three broad academic literatures which help us to understand the processes outlined above, which include (I)- IB, (II)- IPE and (III)- CC. In terms of firm's (e.g SMEs) internationalisation such as exports, the IB literature provides us with theoretical frameworks that capture these activities. The two main IB theories include the IBV introduced by Peng et al (2008, 2009) and the RBV associated with Barney (1991). The RBV argues that internal resources (including tangible and intangible resources) alongside managerial capabilities play a crucial role in creating a competitive advantage of SMEs which is necessary in the context of exports. By contrast, the IBV's argument, is that the external institutional environment (including formal and informal dimensions) within which domestic firms are embedded, is crucial to influencing decisions of SME managers, with institutional conduciveness being vital to supporting exports of firms. In relation to exporting activities of nations and firms (e.g SMEs) in global trade, the IPE literature with its GVC approach is a useful lens. The GVC approach associated with Gereffi et al (2005), conceptualises global trade activities through governance and upgrading processes. The former concept focuses on the position of leading firms and their relations with suppliers and other firms within the given chain of the GVC, whereas the latter concept focuses on the processes through which nations and their firms capture higher value added activities within GVCs. Finally, the competitiveness of nations in the global economy can be usefully captured, using CC literature also known as Comparative Political Economy (CPE). Here, the VoC approach is utilised and is associated with Hall and Soskice (2001). The VoC argues that nations differ in terms of their domestic institutional frameworks (which stem from historical and political sources) and these institutional dimensions interact together to form institutionally complementary arrangements that form divergent capitalist models with different sources of competitiveness. Most traditionally, the VoC approach utilises the division between LMEs and CMEs. However, with time, other capitalist models were identified, especially Hierarchical Market Economies (HMEs) and Dependent Market Economies (DMEs); both of which underperform in terms of competitiveness compared to exemplar LME and CME models.

Within these three bodies of literature outlined above, this thesis identifies and addresses the key literature gaps. Essentially, over the years, all three bodies of literature have developed rather independently from each other without much inter-disciplinary dialogue. This may be surprising given that there are various common areas of enquiry which these literatures aim to explore. However, importantly, each body of literature on its own does not fully capture all dimensions relevant to its enquiry and as a result misses a more holistic account. For instance, the IB studies on firm internationalisation (e.g SME exports) are more economistic and quantitative in nature (as argued by Makhmadshoev et al, 2015); and hence are missing political, historical and sociological perspectives of relevance to competitiveness of domestic institutions and their impact on resources of SMEs. Moreover, such IB studies are primarily focused on the 'host country' environments and lack sufficient and deep attention to home country (i.e domestic setting) obstacles to

SME exports (as mentioned by Laufs and Schwens, 2014 and Paul et al, 2017). By contrast, the CC literature has fundamentally focused on the competitiveness of the home country institutional structures in a holistic way, however there are no CC studies utilising the VoC approach to study SME exports or other trade related puzzles. Finally, whilst the IPE literature with its GVC approach fundamentally focused on trade issues, it lacked appreciation of how competitiveness of domestic institutions conditions incentives for firms to upgrade and embrace GVCs (as noted by De Ville, 2018).

In terms of the theoretical approach and theoretical contributions of this thesis; firstly, the chosen case studies (i.e Sweden and Greece) will be conceptualised using theoretical categories from the VoC theory. Here, Greece will be viewed as a DME capitalist model and Sweden as a CME model with caveats about its hybrid nature. The SME exports will be approached from the institutional perspective, following the IBV theory and its emphasis on institutions in relation to facilitating or inhibiting firm internationalisation. Following the classic contributions from Douglass North, this thesis defines institutions as 'the humanly devised constraints that structure political, economic and social interaction, they consist of both informal constraints (culture, sanctions, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)' (North, 1991, p 97). The thesis however makes a caveat to North's conception of institutions, by viewing institutions as being able to shape individuals rather than only place constraints on the rigid unchanging individual. Essentially, individuals in a given country are socialised within its respective institutional structures and potentially internalise certain institutional features into their behaviour patterns.

This thesis utilises the IBV's institutional perspective, however it enriches that perspective with the insights from the VoC theory. Whilst previous IB literature on very rare occasions has integrated some VoC insights to study firm internationalisation puzzles (for notable examples see: Makhmadshoev et al, 2015; Mariotti and Marzano, 2019; Deng and Wu, 2017) this thesis moves significantly further in that direction and contributes to this under-researched potential. Firstly, in response to the limitations of the IBV theory related to its relatively isolated and context thin conceptualisation of institutions (i.e as rules of the game or exogenous context) [Jackson and Deeg 2008, 2019]; this thesis embraces 'thick' conceptions of institutions by enriching the IBV approach with various VoC insights. One of them is the path dependency/institutional change concept, which adds political, historical and sociological understandings about the sources of institutional configurations, and abilities to reform them. Another VoC enrichment derives from the concept of institutional complementarities/negative institutional complementarities which facilitates more interrelated analysis of institutions by viewing institutional components in relation to each other; hence moving beyond more isolated analysis of institutions present in the IBV theory. Thirdly, compared to standard IBV analysis, this thesis uses VoC theory to conceptualise governmental role within entire capitalist model, which captures the broader implications from governmental action towards institutional frameworks, moving beyond reductionist conceptions of governmental role. Fourthly, through mobilisation of the DME category into analysis, external-contextual factors of importance to domestic institutional structures will be captured. Finally, compared to IBV studies which are more economistic in nature and hence cannot fully capture informal institutions in quantitative studies, the engagement with the VoC approach, will facilitate greater attention to informal institutions (such as culture).

Furthermore, the thesis illustrates that the IBV-RBV synergy, also benefits from VoC insights. Essentially, following VoC logic, domestic institutions will be viewed as embedded within socio-political structures of the capitalist model and not as neutral economic constructs as done in the IBV studies. These socio-political structures relate to culture (norms and habits) in terms of social aspects, as well as corruption, clientelism, rent seeking and state capture in terms of the political side. This holds implications for engagement with the RBV components. For instance, it can entail a more distorted structuring conditions for the availability of local resources to SMEs (see case of Greece). Also, it can entail implications for SME managers in terms of capabilities which they need to possess to navigate around their domestic setting (i.e home country) e.g ‘value creation’ capabilities for Swedish managers and ‘crisis management’ capabilities for Greek managers as will be proposed in this thesis. The theoretical approach of this thesis will also provide insights into the issue of upgrading efforts of SMEs within GVCs and domestic governmental role in the GVC context, with the VoC insights. Here, a broader and more holistic level of analysis will be achieved through analysing these GVC related puzzles within the capitalist model context. This theoretical synthesis acknowledges that efforts of SMEs to upgrade within GVCs are influenced by the domestic capitalist model context which shapes domestic institutional structures; whereas the governmental capacity for action within GVCs is determined by intrinsic features of the respective capitalist model.

In our analysis, the EU's competitiveness agenda (i.e Lisbon/Europe 2020) in the context of its trade agenda (i.e GE) represents the independent variable in this thesis. The SME export performance represents the dependent variable. As previously mentioned in this introduction, the two case studies will be analysed through the same set of intervening/mediating variables which are responsible for providing the conduciveness of the domestic setting towards competitiveness in relation to SME exports. These intervening/mediating variables are: (I) institutional structures/frameworks of the variety of a capitalist model, (II) government policy, and (III) firm (SMEs) operations/behaviour. The thesis selected specific institutional components (i.e: business environment, innovation system, access to finance, tripartite structures, product markets) as well as specific government policies (i.e: trade, labour market and taxation) based on their importance in the theoretical literature (as will be set out in each chapter) and their relevance to the empirical puzzle i.e EU's competitiveness and trade agenda. In light of these, the overarching argument of this thesis is that the mechanisms manifested in the above mentioned intervening/mediating variables shape the export performance of SMEs. Their conduciveness towards competitiveness shapes incentive structures for SMEs functioning and influences SME export propensity and intensity. Here; domestic institutions, governmental policies and SME actions are all interconnected within the domestic variety of capitalism. The domestic capitalist model (with its historical path dependencies, internal and external features and internal socio-political-economic coalitions) is an overarching structure which determines domestic institutions, governmental policies and SME actions. It will be argued that the Swedish domestic setting outperformed the Greek counterpart, as it was more conducive towards competitiveness (on each intervening/mediating variable) which fundamentally resulted from a difference between Swedish and Greek capitalist models. The Swedish variety of capitalism was more robust and mature and it set positive foundations for the mechanisms which impact on the SME export performance; this translated into solid export performance of Swedish SMEs. By contrast, the Greek variety of capitalism was more deficient and crisis prone, as a result it provided obstacles and barriers in the mechanisms that impact on SME export performance, which inhibited Greek SME exports.

This thesis is structured around seven chapters. Chapter 1 is the literature review which summarises the three main bodies of academic literature identified in this introduction; and ends with the operationalizable research questions for this thesis. Chapter 2 provides the outline of methodology foundations for this thesis. Chapter 3 provides the empirical background to the researched topic, focusing on EU competitiveness and trade agendas, as well as political economy context of two selected case studies. Chapter 4 investigates the domestic institutional structures in Sweden and Greece, with attention to business environment, innovation system, access to finance, tripartite relations and product markets. It seeks to answer whether these main realms of the Swedish and Greek variety of capitalism formed an effective institutional complementarities in relation to SME functioning and exports. Chapter 5 examines governmental policy in Sweden and Greece in relation to trade and industrial policy, labour market and taxation. Here, governmental policies are understood as 'competitive' in the sense of whether they are conducive towards achieving national competitiveness (or oriented towards promoting it) i.e creating a conducive business environment for firms (which is in line with the definition of national competitiveness provided earlier in this introduction). Chapter 6 explores micro level actions of SMEs themselves, focusing on internal market survival strategies and external market export strategies. The thesis ends with an extended conclusion in chapter 7 which thematically synthesises the key empirical arguments made in this thesis, as well provides a summary of theoretical contributions made, and ends with a set of broader managerial and policy level implications.

Chapter 1: Literature Review

Introduction

The following chapter provides a review of the key bodies of academic literature identified previously in the introduction. Apart from outlining the key literatures, the chapter also articulates the theoretical contributions of this thesis; in doing this, it builds the theoretical foundations for the empirical analysis which will be conducted in chapters 3-5. The chapter is structured into three sections. The first one focuses on the GVC and IB literatures, the second one is preoccupied with the CC literature, whereas the final section sets out the thesis' sub questions for chapters 3-5, building on the theoretical insights from chapter 1.

1.1. The Political Economy of Global Trade, Global Value Chains and International Business

1.1.1 Theoretical introduction to global trade

The theoretical conceptualisation of trade can be traced back to classical political economists, namely Smith (1776) and Ricardo (1817). The Smithian idea based on absolute advantage assumed that countries should specialise in producing what they are best at; this however results in problems for countries that do not possess absolute advantage in production of any good. Ricardo (1817) in his theory of comparative advantage argued that global free trade can be mutually beneficial to all, as the key is to specialise at what a country is relatively better at, in comparison to other nations. How does a country know where its comparative advantage lies? This question has been elaborated by Heckscher (1919) and Ohlin (1933) model that related to factor endowments of countries, which includes: land, labour and capital. Often, 'entrepreneurship' is named as the fourth endowment factor, and its conceptualisation can be linked to representatives of the Austrian school of Economics namely: Hayek (1948) and Mises (1949), who analysed the role of entrepreneurs as risk takers and decision makers in the context of uncertainty.

Following shifts within the global economy, Krugman (1991) proposed the 'new trade theory'. It illustrates that global trade is driven by intra-industry trade which is underpinned by firms searching for increasing returns from large scale production, hence resulting in exports, whereas consumer demand for differentiation of products leads to imports of similar products. This challenged the Ricardian comparative advantage which sees trade dominated by nations and inter-industry patters. The empirical data post new millennium however illustrate the return to traditional Ricardian conception of trade. In the case of EU, Galar (2012) highlights the vertical specialisation based on areas of comparative advantage and increased trade with other developing countries around the world. Galar (2012) notes that the EU possesses a comparative advantage in research intensive (including difficult and ease to imitate) goods and capital intensive goods. On the other hand it possess disadvantage in labour and resource intensive goods.

1.1.2 Global Value Chains: key concepts and the centrality of the firm

A deeper story of global trade can be gained using the concept of value chains, as it allows to capture dynamics of highly integrated and interdependent globalised economy. Initially in the mid-1990s, the concept of 'commodity chains' rose to popularity. Gereffi and Korzeniewicz (1994) made distinction between buyer driven and producer driven commodity chains, the former represents the situation where a corporation holds a central role as merchandiser, whereas in the latter the leading corporation acts its crucial role in production of activities.

The term 'value chain' explains that various actors are connected together and create value that leads to a competitive advantage (Al-Mudimigh et al,2004). Value chains take into account the significance of consumers (Cox, 1999), the need to offer value to them (Di Domenico et al., 2007) and focus on value creation and the capture of that value (Gereffi and Lee, 2012). The global value chain (GVC) approach studies these dynamics globally and provides an effective overview of global industries, by essentially 'analyzing the full range of activities that firms and workers perform to bring a specific product from its conception to its end use and beyond' (Gereffi 2014, p.12). One of the crucial characteristics of the GVCs is distinction between top-down view which is 'governance' and bottom-up view which is 'upgrading'. The governance focuses on lead firms and global industries, whereas (economic) upgrading is defined by Gereffi et al (2005) as 'the process by which economic actors, nations, firms and workers move from low-value to relatively high-value activities in global production networks' (p. 171). In terms of governance of GVCs, Gereffi et al (2005) proposed typology of network governance: modular, relational and captive. Within these typologies the leading firm coordinates with suppliers and exercises different degree of power, illustrating changing patterns of governance as industry evolves and matures. In regards to upgrading, in other words climbing up the value chain ladder, Humphrey and Schmitz (2002) identified four different types of economic upgrading. These include: product upgrading (firms produce new products in the existing value chain, facilitated through e.g better skills or technology) ,process upgrading (firms increase added value through better organisation of internal processes which increases productivity), functional upgrading (firms increase overall skill content of activities) and intersectoral/chain upgrading (moving towards different chains or industries) [Humphrey and Schmitz (2002)]. These different modes of upgrading, illustrate, that, in essence, economic upgrading relates to improvement of firm's productivity and competitiveness (Unido, 2015) which then facilitates 'making better products, making them more efficiently, or moving into skilled activities (Giuliani et al, 2005, p552).

Additionally, in order to understand the positioning of a firm or a given country within the supply chain and GVC, a distinction between upstream and downstream activities is useful. As articulated by van der Marel (2015), within the production chain, the further away the country is located from final demand, the more 'upstream' it's GVC activities are (it includes e.g : production of raw materials, research and development and the design of industrial products); if a country is located closer to final demand, its GVC activities are rather 'downstream' (it includes e.g : assembly of processed products or post-sales customer services).

Yeung and Coe (2014) aimed to reframe the existing and mainstream GVC approaches and capture wider evolutionary dynamics, under heading of GPN 2.0. This approach aims to explain how firms and non-firm actors interact with three key competitive dynamics which are: optimizing cost capability ratios (e.g. capital, labour, technology and knowhow), sustaining market development (e.g. reach and access, time to market, consumer behaviour and preferences) and working with financial discipline (e.g. access to finance, investor and shareholder pressure). These three dynamics can be used to explain actor specific strategies, and act as independent variables in the investigation of organisation and governance of GPNs and explain diverse empirical outcomes (Yeung and Coe, 2014).

In relation to above findings, the concept of 'upgrading' will be particularly utilised in this doctoral project, as it connects to the competitiveness theme of this thesis. Here, Swedish and Greek SMEs are seen as agents that can upgrade their internal processes, products and functions, through enhancing their competitiveness and that can stimulate their exports through EU's trade deals. However, the firm centric view inherent to above conceptual approaches, will be enriched in this thesis with the institutional and governmental policy insights, to argue that firms as key actors are embedded within institutional-policy level frameworks which affect their competitiveness (see section 1.1.3 below, and part 2 of this literature review).

1.1.3 The role of the state in Global Value Chains

The firm centric approaches outlined above, reduce the role of the state in GVCs to the role of 'facilitator'. Neilson (2014, p45) refers to it as providing 'business enabling environment' that allows firms within GVCs to function effectivelly, Werner et al (2014) framed it as 'making markets work' in the post Washington Consensus context. The role of the state as facilitator in GVCs is also highlighted by e.g. World Economic Forum (2012), and World Investment Report (2013). The importance of state as a 'facilitator' will also be emphasized and analysed in this thesis, however the state's broader agency (i.e its different roles) and apparatus will be considered and conceptualised within a deeper framework and context of a capitalist model (see part 2 of this literature review). In relation to GVCs, a number of scholars e.g. Bair (2005), raised a need to focus on embeddedness of chains in institutional, horizontal and structural contexts where state power needs to be recognized. Similarly, Gibbon & Ponte (2005, p. 84) argued that 'lead firms do not operate in an institutional and regulatory vacuum' and the role of the state is important (Gibbon & Ponte, 2005, p. 84).

Horner (2016) however recognized the need to move beyond minimal roles of the state and provide a more holistic overview of its roles in GVCs. Horner (2016) argues that apart from being a facilitator, the state in the GVC context can also act as regulator (e.g limiting or restricting economic activity, protecting certain interests of business, labour, consumers and environment etc), producer (state owned enterprises) and buyer (public procurement). Mayer and Phillips (2017) made a similar contribution, by injecting state agency/power and politics into the study of GVCs. They propose typology made up of three forms of state governance of GVCs, these are: facilitative, regulatory and distributive. This entails that in various circumstances, states may decide to be more interventionist and active in the GVC context (moving beyond conventional pro-market roles).

Furthermore, van der Marel (2015) synthesises the GVC literature in relation to factors and policies which affect the positioning of countries within GVCs. In consequence, these are often realms which the government can influence with its policy, his findings are presented in table 1 below. The set of factors and policies which influence participation and location of countries within GVCs are divided into three categories: structural forces and endowments, traditional trade and regulatory barriers and new issue areas. Van der Marel (2015) argues that a combination of policies from different categories matter for certain GVC dimensions. For instance, skilled workforce, market size, customs and transport procedures, as well as innovation conducive climate are relevant for participation in GVCs. In terms of location within GVCs (i.e. distance from final demand), policies such as capital (importantly ICT related capital), services trade, FDI restrictions, as well as competition policy and labour market efficiencies are relevant. Furthermore, many of the policies in table 1 below are also associated with policies identified in the literature as conducive towards economic upgrading of firms and nations in GVCs (see e.g Kummritz et al, 2017; Cattaneo et al, 2013). In relation to upgrading, Ravenhill (2014) further argues that the government should facilitate 'institutions for upgrading'- specifically focusing on education, infrastructure and industry-specific institutes.

Table 1: GVC Related Policies

Nature of Policy	Policy Disciplines	Participation	Distance Final Demand
Structural Forces and Endowments	ln(GDP) per capita	0.1967	0.0097
	GDP per capita squared	0.3322**	0.0664
	ln(Population)	-0.3439***	-0.054
	Human Capital	0.3248**	0.0436
	Internet	0.3374**	0.0059
	Physical capital / GDP	0.0762	0.2762**
	ICT-related capital / GDP	0.1619	0.4307***
	Knowledge capital / GDP	0.4339	0.4477*
	Rule of Law	0.266**	-0.0117
Traditional Trade and Regulatory Barriers	Trading across Borders	0.3598***	0.1433
	Doing Business (rank)	0.1802	-0.1237
	Trade Enabling (rank)	0.2753**	0.0859
	Logistics Performance	0.2722**	0.1866
	Product Market Regulations	-0.3329**	0.1881
	Barriers to Entrepreneurship	-0.1758	0.0891
	Barriers to Investment	-0.4556***	0.1572
	Barriers Services Mode 3	0.0553	0.3216**
	Barriers Services Mode 4	0.0758	0.3145**
New Issue Areas	FDI restrictions	0.2225	0.5114***
	FDI restrictions in services	-0.2344	0.5049***
	Management score	0.0202	-0.2933
	Financial Credit availability	0.0925	-0.0697
	Labour Market efficiency	-0.3522***	-0.2826**
	Innovation climate	0.2926**	0.0054
	R&D spending / GDP	0.2749*	-0.0414
	Competition policy	0.0668	0.3690**

Source: Van Der Marel (2015), page 6.

In summary, the above findings provide important theoretical contribution to this doctoral project. This thesis will build on these insights to analyse the role of state in Swedish and Greek context. It will assess governmental ability to effectively mediate and provide competitiveness driven solutions (such as those inherent to its facilitative role, and policies outlined above) to its domestic SMEs in the context of GVCs.

<u>1.1.4 Diversity within Europe</u>

The national diversity within the EU, can be captured by common conceptualisation of Southern Europe (SE) and Central and Eastern Europe (CEE) as the 'periphery', while Western and Northern European countries are representing the 'core' (Barry, 2004). Certain scholars argued that a deeper European integration has in fact reinforced the core-periphery distinctions within the EU. These scholars direct attention to: a lack of proliferation of core activities into peripheral countries of Europe (Lopez-Bazo et al, 1999), a lack of convergence of technological capabilities (Färe et al, 2006), stability of specialisation patterns regarding employment structures (Grodzicki, 2014) and maintenance of the same comparative advantages (Kejak et al, 2004).

Grodzicki and Geodecki (2016), as well as Stöllinger (2016) argue that emergence of GVCs was underpinned by asymmetry of advantages. By looking at the period of 1995-2011, they argue that the emerging manufacturing hub of the EU (CEE countries) has benefited from participation in GVCs in terms of structural change towards manufacturing, whereas for other EU countries (e.g in SE countries), it accelerated the process of deindustrialisation. A closer insight into the 1995-2011 period, also reveals that the core EU countries account for two-thirds of the GVC value added, although their share has been diminishing, meanwhile CEE increased its share in that period by 10%, whereas SE held its share throughout (Grodzicki and Geodecki, 2016 ; Stöllinger, 2016). In terms of comparison of two European peripheries, Grodzicki and Geodecki (2016) argue that the SE region is less integrated into GVCs, these countries are less dependent on final manufacturers, foreign consumers and suppliers as compared to the core of the EU and the CEE region. Regarding their specialisations within GVCs, both peripheral regions fall under resource based value chains, nevertheless during 1995-2011, new modern industries developed in CEE, whereas SE maintained its traditional specialisations (Grodzicki and Geodecki, 2016 ; Stöllinger, 2016). The CEE region is also advancing to the levels of SE in terms of absolute contribution to value chains and in terms of productivity, nevertheless the gap still remains visible. (For more information on the core-periphery distinctions in Europe, including theoretical underpinnings related to it: i.e conceptualisation of ‘dependency’, see part 2 of this literature review).

1.1.5. Internationalisation of SMEs: an International Business lens

The internationalisation processes of SMEs can be conceptualised using the three main International Business (IB) theoretical approaches. The first one is the stage approach, which perceives internationalisation as a linear, gradual and incremental process. The main example of the stage approach is the ‘Uppsala model’ (U-model) initially elaborated by

Johanson and Vahlne (1977). The key element of internationalisation according to this theory is learning which arises from experiences acquired from foreign markets; more knowledge gained increases incremental participation in overseas markets. The theory also utilises the notion of 'psychic proximity' to underline cultural, political and linguistic distance between an SME and the foreign country that any SME wishes to enter; via accumulation of knowledge and experience, such psychic distance can be mitigated and translated into psychic proximity. The second theoretical direction is the network approach. Within this paradigm, Johanson and Vahlne (1990) extended their original model and placed an enterprise within a network, which represents a multilateral framework underpinned by inter and intra enterprise relations. Similarly, Coviello and Munro (1997) highlight that during internationalization, SMEs often externalize their activities by relying on network relations which enhance their market selection and mode of entry choices. The relations existing within networks (including embeddedness in the international networks) generates international growth of enterprises. The final approach to SME internationalization is the international entrepreneurship approach initially elaborated by Oviatt and McDougall (1994). It relates to specific entrepreneurial behaviour such as innovative, proactive and rent seeking characteristics of entrepreneurs, which creates value for an enterprise. Fletcher (2004) conceived the international entrepreneurship in broader terms by conceptualising it as entrepreneurial prediction of future opportunities for products and services and organisational transformations.

This thesis, however, turns more attention towards IB theories which analyse internationalisation in direct relation to competitiveness dimensions, as this underpins our main inquiry. Here, two major IB theories of relevance are: Resource Based View (RBV) and Institution-based View (IBV).

The RBV, most famously associated with Barney (1991) investigates internal features of firms (i.e resources/assets, and capabilities/competencies) which interact to produce sustained competitive advantage of firms. In order to achieve this, Barney (1991) argued that a company should obtain resources which are: valuable (generating strategic value to the firm), rare (resources should be unique and difficult to find among competitors), inimitable (meaning that imitating of resources by competitors is not feasible), and non-substitutable (meaning that a competitor cannot substitute it by an alternative resource). Resources can be defined as inputs which enable businesses to complete their activities (Madhani, 2009) and are often divided into tangible and intangible (Hall, 1992; 1993). Tangible resources may include (financial capital e.g ability to raise funds; physical capital such as machinery/equipment/buildings and technological capital-e.g patents, copyrights, trademarks) whereas intangible resources may include (information and knowledge, human and managerial talents, organisational culture, innovation capacities, reputation and branding) [Barney, 1991; Hall, 1992; Mayer et al, 2009].

The capabilities of a firm relate to the ability of transforming/deploying or allocating existing resources into outcomes/outputs such as higher productivity, enhanced competitive advantage and superior customer value (Amit and Schoemaker,1993; Dutta et al, 2005; Makadok, 2001; Day, 1994). In the context of the topic of this thesis, it is also worth to acknowledge the political capabilities/competencies of firms (Boddewyn and Brewer, 1994). These relate to ability of firms to build ties with governments e.g to benefit from vital information (Wang et al, 2012) or to obtain some form of substitute for weak domestic institutions (Khanna et al, 2005). These type of capabilities represent firm's political capital (Peng and Luo, 2000).

RBV as an IB conceptual framework, has been commonly utilised in relation to internationalisation in general (Peng, 2001) and also specifically in relation to SME exports (Beleska-Spasova, 2014). As argued in the literature, the export performance of firms, is directly underpinned by their competitive capacity and available resources (Manzanares, 2019). The types of internal resources particularly important for embracing exports, identified in the literature, include for instance: stocks of knowledge (Kocak and Abimbola, 2009; Wach, 2014), international market knowledge (Peng and York, 2001), technological know-how (Yamakawa et al, 2013; Singh, 2009), patent possession (Vissak, 2007), product differentiation and innovation competencies (Gao et al, 2010, Kocak & Abimbola, 2009), ability for cooperation with other firms (Sternad et al, 2013; Ghauri and Elg, 2018), and marketing resources (Kotabe et al, 2002; Tan and Souza, 2015).

Another, influential IB theory, related to firm competitiveness and internationalisation is the IBV, introduced by Peng et al (2008, 2009). This conceptual lens responds to some criticisms of RBV's shortcomings, namely its neglect of external aspects related to firm internationalisation (Oliver, 1997; Kogut, 2003). In response to it, IBV argues that the institutional environment (with its formal and informal components), shapes strategic choices and actions of firms (Peng et al, 2008, 2009). This implies that an institutional framework either facilitate and support firm internationalisation, or generates obstacles and acts as an inhibitor to foreign market entry (Peng et al, 2008, 2009). It is understood, within this institutional paradigm, that such institutions ought to be market supporting, allowing firms to thrive (Khanna and Palepu, 1997). The underdeveloped institutions which do not support markets are associated with an influential IB concept – 'institutional voids'. Such institutional voids inhibit market interactions, increase transaction costs, result in economic inefficiency, and eventually undermine firm's success (Khanna and Palepu, 1997). In this context, countries with underperforming domestic institutions are encouraged to embrace market oriented structural reforms, with an aim to boost business climate for domestic firms and stimulate their exports. This correlation between home country structural reforms and firm's exports is present in the IB literature (see: Cuervo-Cazurra and Dau, 2009).

The IBV has been widely used to study firm internationalisation including SME exports, and illustrated that these processes are driven by institutional variables (Makhmadshoev et al, 2015; Manolopoulos et al, 2018, Deng et al, 2018; Chang et al, 2014). This thesis will draw heavily on IBV, however it will enrich it more deeply with the political economy insights from the Varieties of Capitalism (VoC) approach (see part 2 of this literature review). This will allow this thesis to partly respond to some criticisms of IBV (see Jackson and Deeg 2008, 2019) related to its 'thin' view of an institutional environment (i.e conceptualisation of institutions simply as 'rules of the game' or an 'exogenous context'). This thesis, will argue that the understanding of institutions should be broader compared to the economistic conceptualisation of institutions present in the IB literature on IBV; by contrast, the VoC approach will add the political, sociological and historical components to it (see part 2 of this literature review). As a result, this thesis will align with Jackson and Deeg (2008, 2019) on the need to embrace 'thick' conceptions of institutions in IB studies. So far, previous IB literature has not sufficiently embraced the VoC insights (for notable exceptions see Makhmadshoev et al, 2015; Mariotti and Marzano, 2019; Deng and Wu, 2017) hence the approach utilised in this thesis will contribute to this under-researched potential.

Finally, this thesis in chapter 5 will aim to draw on both RBV and IBV (enriched by the VoC insights) in the interaction to each other. Both of these IB approaches, although often utilised separately, are both complementary and yield fruitful results when utilised together (for example see: Meyer et al., 2009;Wang et al., 2012). In contrast to conventional

IB literature which utilise synergy of RBV and IBV to study internationalisation and exports of Multinational Enterprises (MNEs), this thesis utilises this lens to study SMEs exports, and enriches these views with political economy insights.

There are three main methods for SMEs internationalise and enter overseas markets, these are direct exports, licensing/franchising and foreign direct investments (Peng, 2011). Exports are the most common mode of SME internationalisation; due to lower cost commitment of this method (Paul et al, 2017). Given that costs of doing business globally declined (e.g lower shipment costs, improved internet and communication connections), SMEs could potentially gain more advantages of doing business globally. Nevertheless regionalism and geographic proximity still remain powerful drivers for SMEs' operations (DHL, 2012). The study from OECD (2008), based on interviews with SMEs, identified a number of benefits that SMEs can gain from participation in GVCs, e.g enhancing stability and productivity, expanding business, co-operation, information flows, learning opportunities and access to superior technologies. The position of SMEs within GVCs is underpinned by certain power relations, Gereffi et al (2005) discussed the issue by looking at the key actors within GVCs which are MNEs, their affiliates aborad and SMEs who can act as e.g independent suppliers. The direction of knowledge flow depends on distribution of power within GVC type and it could be concentrated within lead firms e.g MNEs; other factors such as complexity of transactions and capabilities in supply bases also play a role (Gereffi et al, 2005). Although it may appear that MNEs are always the dominant actors within GVCs, Brazinskas and Beinoravičiusb (2014) argue that SMEs should not be underestimated, as they often play strategically important role as e.g supplying intermediates to leading firms.

There are various obstacles that SMEs could face in their efforts to internationalise, as identified in the IB literature. Carter and Jones-Evans (2006) define these as : internal-domestic (e.g firm limitations, limitations of home country environment), internal foreign (e.g lack of experience in foreign markets), external-domestic (e.g lack of government support), external-foreign (e.g foreign government restrictions). Moreover from the point of view of previously outlined RBV-IBV frameworks, in terms of challenges for SMEs, it needs to be noted that due to their limited internal resources (Cheng & Yu, 2008), SMEs are highly dependent on the conduciveness of the insitutional environment (Dickson et al, 2013). In the same time, due to their small size they are particularly vulnerable to institutional barriers (Lofstrom et al, 2014).

1.2 Comparative Capitalisms and European Political Economy

<u>1.2.1 Theoretical underpinnings of CC research</u>

Firstly, it is important to define 'institutions'; as articulated in the introduction, for the operationalizable definition of 'institutions', this thesis turns attention to classic contributions from Douglass North and his conceptions of institutions as 'the humanly devised constraints that structure political, economic and social interaction, they consist of both informal constraints (culture, sanctions, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)' (North, 1991, p 97). North (1991) further argues that this set of formal and informal institutions reduce uncertainty by providing structure to everyday activity, and provide the choice set which establish transaction and production costs as well as profitability and possibility of embracing economic activity. The thesis however makes a caveat to North's conception of institutions, by viewing institutions as being able to shape individuals rather than only place constraints on the rigid unchanging individual. Essentially, individuals in given countries are socialised within the respective institutional structures, and potentially internalise certain institutional features into their behaviour patterns.

Given that informal institutional structures are essentially linked to national cultural dimensions; in order to understand more deeply its implications for internal operations of firms, the contribution from Hofstede (1980) provide useful conceptual insights which can be used alongside VoC studies. Essentially, Hofstede's (1980) model investigates different national cultural dimensions (on a scale between 0 and 100) and their impact on a business setting. These dimensions include: individualism-collectivism, uncertainty avoidance, power distance, masculinity-femininity, and long-short term orientation. The national cultural variations on these factors have different implications for firm level organisation and management preferences. Chapter 5 in its focus on Greek and Swedish SMEs and their resources and capabilities (RBV components), will apply the selected key dimensions from Hofstede (1980) theory, within the broader VoC lens. It will focus specifically on individualism-collectivism, uncertainty avoidance and power distance, due to particular importance of these selected dimensions to the thesis' inquiry.

The literature on Comparative Capitalisms (CC) is predominantly associated with the Varieties of Capitalism (VoC) approach by Hall & Soskice (2001) which investigates comparative institutional advantages of nations. Institutions are integral to how markets function and divergence in how they function across different political economies leads to capitalist diversity. Furthermore, such institutions shape operational conditions for domestic firms and influence their competitiveness (Hall and Soskice, 2001). In order to generally comprehend the role of institutions in CC, we must explore its intellectual roots. Bruff & Hartmann (2014) define these conceptual CC foundations as neo-pluralist political science (which investigates politics of capitalism) and economic sociology, other prominent division, is division between historical institutionalism and institutional economics presented by Clift (2014).

Historical institutionalism; part of neo-pluralist political science, emphasises how historically developed institutions matter politically (Peters 1999). The crucial component of historical institutionalism for CC is the notion of 'path dependency', meaning that once institutions are established they tend to acquire a certain character that is path dependent and resistant to change. In other words, initial choices from earlier historical periods have a long-term impact for any system and determine strategies and objectives of political actors (Thelen and Steinmo, 1992). On the other hand, institutional economics, analyses individuals, their behaviour and preferences within an institutional setting. The major pioneer of 'new institutional economics' was North (1981, 1990) who argued that market activities intrinsically rest upon non market settings. The political economy is then underpinned by what North refers to as 'the interdependent web of an institutional matrix' which consist both formal and informal institutions (North, 1981; 1990). The reduced uncertainties produced by this matrix, create 'massive increasing returns' (North 1990, p 95) resulting from efficiency of institutional configurations. The economic sociology foundation of CC, rests on the concept of 'embeddedness' originally proposed by Polanyi (1944). It captures the interrelatedness of the economic, political and social dimensions of capitalism, meaning that a capitalist economy is always embedded within wider structures. Thus, the path dependent institutions of capitalism need to be analysed through perspective of economic sociology, as articulated by Block (2011, p 33) who argues that 'markets are always and everywhere embedded in certain political, legal and ideational elements... market societies are always hybrids that combine market and non-market institutions'.

Significantly, the CC does not analyse institutions in isolation, it analyses institutions in the interaction and interrelation with one another, underpinned by the crucial concept called 'institutional complementarities' which is inspired from North's notions of increasing returns. In the words of Hall and Soskice (2001, p 17) 'two institutions can be said to be complementary if the presence (or efficiency) of one increases the returns from (or efficiency of) the other'. Thus, nations should aim to create the institutional complementarities e.g between firms-financial market-labour market etc, as it leads to institutional coherence of a capitalist model. To understand capitalist models which lack institutional complementaries, the concept of 'negative institutional complementarities' (NICs) proposed by Schneider (2009) is useful. Although he applied it to the South American capitalist models, we can argue that NICs can be found in some European political economies too. The concept means that in some capitalist models, such as in Latin American Hierarchical Market Economies (HMEs), institutional contradictions and dysfunctions may occur, as essentially different institutional components do not fit each other or they reinforce each other to impede convergence to complementary and effective capitalist models (Schneider, 2009; p.556, p. 565).

The traditional VoC approach was challenged by the second generation of VoC scholars, e.g Jackson and Deeg (2007, 2008). They aim to capture wider range of institutional dynamics that shape political economies by moving towards a broader neo-institutionalist paradigm. This scholarly direction critiques the overly firm centric focus of Hall and Soskice (2001) and moves beyond it by highlighting the role of the state in CC e.g focusing on 'alternative types of capitalism distinguished by the extent and character of state intervention in the economy' (Jackson and Deeg, 2008, p 699). Furthermore, it critiques the static and stable bias of Hall and Soskice (2001) in relation to the concept of path dependency, and seeks to move beyond it, by analysing institutional change and discontinuity. Particularly, Streeck and Thelen (2005) emphasise the importance of incremental and transformative institutional change which can arise from both the external but also internal environment. Hence, Streeck and Thelen (2005) conceive institutional reproduction as 'dynamic political process' where individual actors are not hostages of institutional contexts but actively recreate their environments.

In general, the above insights provide crucial foundation for this thesis, as they facilitate holistic understanding of institutions, which allows to enrich the theoretical approaches outlined in part 1 (such as the IBV approach from IB- see section 1.1.5). Here, the concepts such as of path dependency (and institutional change), embeddedness of institutions, institutional complementaries (and NICs), as well an assessment of the role of the state in capitalist model, will allow this thesis to compare the execution of competitiveness policies in Sweden and Greece and understand its implications for domestic SME exports. The range of institutional arrangements that will be analysed in the thesis resembles the broader neo-institutionalist paradigm and remains within the broadly researched institutional dimensions inherent to CC. These include: business environment (including state-business relations in form of product market regulations), access to finance for firms, tripartite relations, trade policy, taxation arrangements and labour market (including labour skills).

Another conceptual component to recognize is the need to connect comparative political economy-CPE (under which CC falls) with international political economy (IPE) as argued by Clift (2014). This is important as national political economies interact with the international context and global dimensions. Despite it being obvious, the opposite has happened in academia, where over the past four decades separation between CPE and IPE was visible in scholarly articles (Phillips, 2004). In order to understand national capitalist models we must understand their location and type of insertion within the broader regional and global political economy. For instance, Hall (2018) suggests to capture the importance of broader international dimensions to domestic variety of capitalism analysis. To some extent, this thesis will partly undertake such analysis, especially during conceptualisation of the Greek variety of capitalism and its embeddedness in the regional EU arrangements (i.e Eurozone structures).

1.2.2 European capitalist models

Hall and Soskice (2001) initially proposed two ideal types of capitalist models underpinned by typical institutional forms of capitalism (markets, and coordination). The first type is the LME (Liberal Market Economy) which is reliant on 'competitive market arrangements' in connection to goods, services and labour. In LMEs, price mechanisms co-ordinate firm actions which are short term driven, whilst innovation is radical. The typical examples of LMEs include the UK and Ireland. The other ideal type of capitalist model is the CME (Coordinated Market Economy), which relies on wide range of non-market based co-ordinating mechanisms, interactions, networks and social relationships. In CMEs, firm activities are long term driven, whilst innovation is incremental. Some typical examples of CMEs include Germany and Scandinavian countries. However, it needs to be remembered that countries within these two categories are not fully similar, Farkas (2016) divided the EU countries into smaller categories, and implied that e.g Scandinavian countries represent their own specific type of CME which differs to other CMEs such as Germany or Netherlands. A similar point was raised by Campbell and Pedersen (2007) providing critique of some logics of the VoC theory. Campbell and Pedersen (2007) argued that many economies are hybrid and not as distinctive as conceived by Hall and Soskice (2001). Using the case of Denmark and argument about its hybrid nature, Campbell and Pedersen (2007) articulated that as a hybrid economy Denmark performs equally well as 'distinctive' capitalist models, crucially noting hybrid nature of Denmark's institutional complementarities as source of its success. The implication from Campbell and Pedersen (2007) is that institutional complementarities may not only stem from homogeneity and distinctiveness of a capitalist model (as assumed in Hall and Soskice, 2001) but also from hybrid combination of LME and CME aspects within a capitalist model. This thesis utilises these insights from Campbell and Pedersen (2007) and applies it to the case of Swedish variety of capitalism, due to its hybrid nature (see chapter 2 section 2.2.6).

Understandably certain countries were omitted from initial analysis of CC, as they did not fit into LME-CME dichotomy. There has been an attempt by Molina and Rhodes (2007a) to conceptualise Southern European countries as MMEs (Mixed Market Economies). It was nevertheless unsuccessful to make a strong and long lasting academic impact, as it implied that non-MME economies are pure in their distinctiveness compared to MMEs, which as mentioned above, using Campbell and Pederson (2007), is not true. A much more successful and influential attempt, applied to another region of Europe, has been made by Nölke and Vliegenthart (2009) to conceptualise Central and Eastern European (CEE) countries as DMEs (Dependent Market Economies). These countries have comparative advantages based on assembly platform for semi-standardized industrial goods and relative complex and durable consumer goods. Fundamentally, DME countries are highly dependent on investment decisions from Multinational Corporations (MNCs), foreign capital and foreign direct investment (FDI) and have weaker innovation capacities compared to LMEs and CMEs. Nölke and Vliegenthart (2009) implied that the idea of DME can be applied to other peripheral countries. This thesis takes this insight and innovatively applies the DME category to conceptualise Greece (which was traditionally left out from Hall and Soskice, 2001). However, important modifications are made when applying the DME category to Greece in this thesis, namely the sources of external dependence of Greece differ to circumstances observed in CEE countries. In the case of Greek capitalist model, the sources of dependency stem from: debt and reliance on external finance (inherent to the clientelistic Greek VoC) and from Greece's position within the Eurozone, (for elaboration of both of these dimensions see chapter 2 section 2.2.1).

In order to apply the DME category to Greece, wider theoretical apparatus also need to be embraced, here the insights from Cardoso and Faletto (1979) as well as the modern version by Cardoso (2009) and the influential concept of 'situations of dependency' is crucial. This concept was traditionally applied to the Global South to conceptualise different situations in which these countries are dependent on the Global North. Nevertheless, the concept can also be applied to Europe as highlighted by Kvangraven et al (2017) and their interview with László Bruszt, a scholar who utilises 'situations of dependency' to conceptualise the East European region. To clarify, for Bruszt, as exemplified in Kvangraven et al (2017), as well as for Cardoso (1979, 2009), dependency is studied in terms of situations of dependency not in terms of dependent structures. This implies that situations of that dependency can be altered by political actors. As put by Cardoso (2009, p315) structural factors 'condition but do not determine the shape taken by economic and political processes'. The situations of dependency of the Greek capitalist model will be outlined in chapter 2 section 2.2.1.

1.2.3 Core and periphery within Europe

European capitalist models need to be understood in relation to broader EU initiatives (allowing for conceptual synergy between CC and IPE- see section 1.2.1). Johnston and Regan (2016) argue that the monetary integration undermined the existence of diverse capitalist models within the EU. The argument being that, the existence of high inflation prone and domestic demand led model of Southern European periphery on the one hand, and low inflation prone, export led model of Western/Northern European core countries, is incompatible following the introduction of EMU (European Monetary Union). Johnston and Regan (2016) assert that the Eurozone crisis was partially caused by asymmetric effects of different national varieties of capitalism joining together into a monetary union, underpinned by countries with different inflation performances, which then led to unsustainable divergences in external balances. A similar type of argument was presented by Gambarotto and Solari (2015) who argued that EMU reforms imposed financialization of the economic system, as a result the southern European capitalist models lost their preferred form of institutional coordination. Importantly, for this thesis, the literature exhibits that CMEs and LMEs in the Western and Northern Europe possessed structural-institutional capacities to purse an export led growth which allowed them to benefit from the Eurozone (Iversen and Soskice, 2012), by contrast, countries in the Southern Europe lacked these capacities (Hall, 2012; 2018). These findings provide important insights for this thesis which investigates the domestic setting with its conduciveness towards competitiveness (in a Eurozone and non-Eurozone country) and its implications for SME exports. To build on these findings, the thesis will investigate the following structural-institutional capacities of capitalist model: business environment, product markets, access to finance, tripartite relations, taxation and the labour market.

1.2.4. The role of the state in CPE and CC

State-market relations are at the heart of CPE and CC. The two 20th century figures Keynes and Hayek famously debated the role of the state in the economy. Keynes (1936) argued for the recognition of market failures and a need for government intervention to correct these market failings and sustain capitalist relations; this had its political implications, as it transformed the role of the state in the economy. Hayek, by contrast, argued against government intervention and for the primacy of markets, as claimed in his words, ‘the market order .... [is] the only way in which so many activities depending on dispersed knowledge can be effectively integrated into a single order’ (Hayek 1973, p42). Public choice theorists such as Buchanan and Tullock (1962), Niskanen (1971), Krueger (1974) and Tullock et al (2002) provided further justifications against excessive state intervention, by theorising government failures using economic principles (such as self-interested individuals) to study the practice of government, bureaucracy, public policy making and politics. Their findings explained government failures using concepts such as rent seeking, clientelism and the ‘captured state’ (stated captured by special interests). The conceptual insights from public choice theorists are important for the case of Greece in this thesis, for more details see chapter 2 section 2.2.3.

Despite an alleged demise of the state post 1980, CPE literature identified that states did not disappear but transformed their roles into for instance : the 'developmental state' (Johnson, 1982), the 'competition state' (Cerny, 1997a), the 'market making state' (Crouch, 2004) or the 'entrepreneurial state' (Mazzucato, 2013). The specific role of the state depends on the particular variety of capitalism in a given country (or vice versa- i.e a given capitalist model can be defined by the role of the state in it). Within the CC realm, even though Hall and Soskice (2001) provided a firm centric analysis, there was still some place for the state's role e.g in LMEs, state's role is to set rules and settle conflicts within its arms-length relations. In CMEs, the 'enabling' state is responsible for coordinating and facilitating activities, by often acting as co-equal along with other important actors (Hall and Soskice, 2001). As previously mentioned, the second generation of VoC scholars highly emphasized the role of the state, hence complemented the traditional micro tier of firms, with analysis of macro-tier-the states. For instance, Schmidt (2009) argued for deconstructing state action into three elements of: policy (actual policies in relation to business, etc) polity (how the institutional context shapes these policies) and politics (interactions between political actors and their ideas).

Building on the insights of the second generation of VoC scholarship, we can further conceptualise the state within varieties of capitalism beyond the LME-CME dichotomy. For instance, in a less coherent and more institutionally dysfunctional model of HMEs, the state's role is problematic. This is because institutional dysfunctions within this capitalist model may be of preference for the state for various reasons, or, they occur due to state intervention. Moreover, in order to allow for institutional change to LME-CME type, state reform is required (Schneider, 2009, p. 569, p. 571). Similar state inefficiencies can be found in the DME category as it represents another model outside of LME-CME dichotomy, hence it is prone to institutional inefficiencies and likely to underperform compared to benchmark capitalist models (Amable, 2003; Hall and Gingerich, 2004). However, in the case of DMEs, the role of the state is additionally problematic due to previously outlined 'situations of dependency' concept. The insights from Cardoso (2009), Evans (2009), László Bruszt in Kvangraven et al (2017), and Nölke and Vliegenthart (2009), allow this thesis to conceptualise the role of the state in the case of Greece within the 'situations of dependency' phenomenon. It means that the state's capacity for action in some areas is partly or largely constrained due to some situations of dependency, nevertheless visible degree of state autonomy exists in other areas hence the state can still make various autonomous decisions in the steering of political-economic developments.

1.2.5 The role of finance in CC

Building on the institutionalist approaches to capitalism, Zysman (1983) focused on the realm of finance and financial markets which according to him is crucial for a type of state-business relations within any capitalist system. Zysman (1983) focused on national financial systems in relation to economic strategies and political conflict that underpin industrial change. In the words of Zysman (1983), 'national financial systems rest upon national political settlements about economic arrangements', he adds further that they are embedded within national histories, state traditions and political cultures (ibid: p,27). As argued by Goyer (2011) the institutional characteristics of these national financial systems and their impact on behaviour of economic actors can be explained by these political settlements and their related historical and institutional contexts.

The national financial systems shape relations between firms and capital/financial markets and the kind of corporate capitalism; this has direct implications for firm financing arrangements. Zysman (1983) identified three ideal types of 'models of finance' and typical financial systems, these are: capital market model (shareholder driven capitalism as in the UK or the USA), credit based model (stakeholder driven capitalism as in Japan or France) and credit based model underpinned by large financial institutions (e.g as in Germany). Hence, the crucial division and differentiation is between credit based and capital market based models of switching savings into investments. As articulated by Zysman (1983) and by Hirschman (1970) capital market approach promotes 'exit' –meaning selling up and moving forward within 'liquid' capital markets, and norms related to shareholder value, hence firms are treated as tools to generate return on equity. By contrast, credit based approach favour 'voice' underpinned by stakeholder values e.g solidarity, inclusion, trust and articulation of reforms and interests within the company, this approach is enhanced by close long term connections between banks and firms.

The capital and credit based model distinctions, inspired and influenced the VoC models, as Hall &Soskice (2001) focus on financial aspects of capitalism and clearly underline difference between shareholder capitalism (LME type) and stakeholder capitalism (CME type). Thus, LMEs are underpinned by capital market based approach, whereas CMEs are embracing credit based approach. In the CME type of stakeholder capitalism, activities are co-ordinated through network arrangements and firm financing is based on long term patient, trust and loyalty based stakeholder relationships. In the LME type of shareholder capitalism, firm financing is enhanced by short term, profit maximising shareholder logics. The politics of finance plays a role in these distinctions too, as different socio-economic actors may enjoy influential political power within stakeholder (CME) and shareholder (LME) varieties of capitalism (Gourevitch and Shinn, 2005; Goyer, 2011). In terms of financial arrangements in the DME variety of capitalism, Nölke and Vliegenthart (2009) highlight the importantance of dependence on foreign capital, hence finance is raised through FDI and foreign owned banks. They argue that due to this structural dependence, to a certain extent, crucial financing decisions in relation to domestic firms are made overseas. This thesis is preoccupied with firm financing and access to finance at the broader macro level (which is considered as one of the domestic competitiveness aspects in relation to SMEs exports), hence analytical categories from Zysman (1983) and from the CC will be utilised in empirical analysis related to this matter.

The rise of more liquid and powerful transnational capital market, and financialization and internationalisation of finance to a certain extent undermines the boundaries of national financial systems within domestic varieties of capitalism (Deeg, 2010). The rise of financial internationalisation resulted in decreased reliance on banks for industrial and firm financing, with firms borrowing directly from bond markets and banks being by-passed as investors purchase bonds of shares (Byrne and Davis, 2002). Deeg (2010, p327) highlights the ‘long term trend towards increasing self-finance and market finance by European firms’. The above means that shareholder capitalist practices are becoming more influential in different political economies. Here, it should however be noted that this thesis investigates SMEs per se, which due to their firm size are still rather largely dependent on bank based finance, whereas borrowing from bond markets is rather a more popular option for MNEs. Engelen and Konings (2010) argue that national institutional frameworks actively shape and constitute trends related to financialization (p.609), hence they are playing an important role in domestic mediation of global financialization. The convergence thesis claims that all advanced capitalist models will converge towards the shareholder driven domestic financial system (e.g. Rajan and Zingales, 2003). Nevertheless, it is an unlikely scenario, as highlighted by Gourevitch and Shinn (2005) the capitalist economy with its many dimensions is too complex to allow such convergence to materialise. By contrast, Clift (2014) underlines that the real question is ‘how’ more important is the shareholder value within different capitalist models. This means that VoC is still a relevant framework of analysis in this financialisation context.

1.3 Conclusion: Operationalising the Thesis Research Questions

Core Research Question: *"How does the domestic setting affect the export performance of SMEs in the context of EU's free trade agenda?"*

Whilst the importance of domestic setting (i.e home market and its conduciveness towards competitiveness) in relation to internationalisation of firms (e.g SME exports) have been acknowledged in the IB literature (see the introduction), there is a need for further and more nuanced knowledge on this topic (Laufs and Schwens, 2014; Paul et al, 2017; Tsukanova, 2019). This thesis makes a contribution in this direction, by focusing on the 'how' rather than 'what' question in relation to domestic setting and SME exports. This focus, allows this thesis to analyse the mechanisms through which the domestic setting impacts and shapes SME export performance and how these mechanisms are interconnected together. In doing this, two countries (Greece and Sweden) from the opposing sides of the competitiveness and trade spectrum have been selected for analysis. This selection is justified based on the need to reflect the heterogeneous nature of EU member states in the context of EU's competitiveness and trade agenda.

In terms of the research design, the thesis sets out variables which represent vital building blocks of its comparative perspective. The independent variable is Lisbon/Europe 2020 Agenda in the context of Global Europe (GE), with the three fundamental intervening/mediating variables being: (I)- institutional structures/frameworks of the variety of a capitalist model, (II)- government policy, and (III)- firm (SMEs) operations/behaviour. The dependent variable is the export performance of SMEs i.e. the extent to which respective SME sectors and firms in Sweden and Greece became more or less internationalised (more open to global trade through GE). The core overarching question of the thesis can be unpacked using the three thematic sub-questions (presented below) which are enhanced by the three bodies of literature review that have been completed.

1st Sub Question : *To what extent was the macro level domestic institutional framework supportive for the overall functioning and exports of SMEs'?*

In order to answer this sub-question in chapter 3, there are a number of insights from the previously defined theoretical literatures that can be taken into account in order to conceptualise the matter. At the core of the answer, the chapter will utilise the conceptual insights of the IBV approach from IB literature i.e Peng et al (2008, 2009) about the importance of domestic institutions to SME exports. However, the chapter will substantially enrich this IBV view with the insights from the CC literature; the VoC theoretical approach will facilitate understanding of domestic institutional environment in a more holistic manner. Here, the answer will engage with the concepts such as 'path dependency' and 'institutional complementaries' from Hall and Soskice (2001), institutional change from Streeck and Thelen (2005), and negative institutional complementarities (NICs) from Schneider (2009). In order to link this domestic competitiveness dimension with the external aspects (i.e SME exports), the chapter will utilise some insights from van der Marel (2015) to understand which institutionally related aspects matter for a nation's and firm's participation and positioning within GVCs. In one of the sections of this chapter, which investigates innovation systems, the answer will also specifically engage with the conceptual insights from Humphrey and Schmitz (2002) and Gereffi et al (2005) related to the concept of upgrading. This will facilitate understanding of attempts by Greek and Swedish SMEs to climb up the value chain ladder to capture high value added activities within GVCs.

2nd Sub- Question: *To what extent was the government policy conducive to functioning and exports of SMEs?*

The above sub-question, relates to the role of the government and the answer in chapter 4 will assess the extent to which governmental agenda (on the following issues: trade, labour market and taxation) in Sweden and Greece played an either supporting or inhibiting role in relation to SMEs growth, functioning and exports. The role of government, can be conceptualised using analytical dimensions from each theoretical literature that have been previously reviewed. Viewed holistically, the role of government and the type of its policy agenda in the economy can be conceived through the CC lens, especially the second generation of VoC scholars such as Jackson and Deeg (2007, 2008) who turned more attention towards the role of the state within capitalist models. As a starting point, the conceptualisation of Swedish governmental activity can be done through taking its 'coordinative' role within the CME model (Hall and Soskice, 2001); although having in mind the hybrid nature of its capitalist model. In the case of Greece, a more complex theoretical apparatus will need to be mobilised. In order to understand state inefficiencies within a less coherent capitalist model, insights from Schneider (2009) provide useful foundations, combined with insights from public choice theorists on rent seeking, clienteslim and captured state (e.g Buchanan and Tullock, 1962; Niskanen, 1971; Krueger, 1974). However, in order to understand the partially constrained sovereignty of the Greek state (at least on some issues) stemming from the DME type of its capitalist model, insights from Nölke and Vliegenthart (2009), Cardoso (2009), and Bruszt in Kvangraven et al (2017), will provide useful foundations.

In order to understand, governmental role in relation to external dimension (free trade- i.e SMEs exports), theoretical insights from the GVC literature will be utilised. This will start with the recognition of the most traditionally defined state's role as 'facilitator' of a business friendly environment in the GVC context (Neilson, 2014; Werner et al, 2014). The analysis will investigate the extent to which Swedish and Greek governments with their policy agendas fulfilled that role. Moreover, building on conceptual insights from Horner (2016), the answer will recognize other key roles of states in the GVC context, especially its role as 'regulator' (e.g limiting or restricting economic activity, protecting certain interests). It will also assess the extent to which such actions were utilised by governments in terms of investigated policy agendas and the impact they had on SME exports.

3rd Sub-Question: *'To what extent the individual actions of SMEs at the micro level were conducive towards competitiveness and exports of SMEs?*

The above question will be addressed in chapter 5 through an investigation of behaviour at the micro level dimensions of firms (i.e SMEs). Specifically, it will consider SME survival strategies and export strategies. The micro level of firms can be explored through the competitiveness lens, using conceptual insights of the Resource Based View (RBV) from International Business i.e Barney (1991). Here, analysis of tangible and intangible resources, as well as capabilities possessed by firms will allow for an understanding of internal competitiveness advantages of Greek and Swedish SMEs in the field of exports. In its analysis, the chapter will however conceptually connect RBV with IBV, all viewed by the capitalist model context using the VoC insights. This will facilitate understanding of how internal resources and capabilities of SMEs are shaped and influenced by domestic institutional structures at both formal and informal level (e.g cultural level, utilising insights from Hofstede, 1980).

To summarise, the literature review conducted in this chapter presented the key theoretical approaches which will be utilised in this thesis, alongside its original theoretical contributions, at the heart of which is the synergy between the IB and CC literatures. Here, the thesis enriches the IBV's understanding of institutions with the VoC insights to provide a broader view of institutions which will also allow to capture more nuanced interactions with the RBV component (i.e resources and capabilities). This will facilitate a deeper understanding of the domestic setting in relation to SME exports. As part of this literature review process, this chapter has set the theoretical scene for the empirical analysis which will be undertaken in chapters 3-5, as outlined in the three sub questions formulated for this thesis.

Chapter 2 Methodology

The following chapter provides the outline of methodology foundations for this thesis. It aims to help the reader to understand the logic behind the processes used to address the research question. The discussion is structured around three sections: research design (which justifies the case study selection and variables, as well as sets out the context), data collection and analysis (which outlines which type of sources were utilised and how they were analysed) and thirdly- research validity, reliability and generalisability.

2.1. Research Design: The Selection of 'Small N paired comparison'

In terms of the thesis' research design, the main research questions will be answered by investigating two case studies (Sweden and Greece), engaging with the comparative method (Lijphart 1971). A comparative method in its scientific analysis aims to 'investigate systematically two or more entities with respect to their similarities and differences, in order to arrive at understanding, explanation and further conclusion' (Azarian, 2011, p 9). Such entities (i.e cases) are frequently compared with regards to particular phenomenon e.g specific policies (Azarian, 2011, p 9). In light of this, the thesis compares similarities and differences between the domestic settings in Sweden and Greece in relation to their competitiveness policies in the context of SME exports.

Given that the comparative research design of the thesis, rests on analysis of specifically two cases (i.e two countries), it means that the thesis embraces a 'paired comparison'. It is an established research strategy in political science (Gerring, 2007), which can be associated with small N sample which seeks to prioritise the depth of knowledge and understanding of causalities (Ragin, 1987; Levi Faur, 2006). As a methodological inspiration for the selection of 'small N- paired comparison' approach, the thesis draws on Tarrow (2010) and her theorization of paired comparison in political science. Given that the thesis heavily draws on theory from comparative political economy i.e the VoC, the methodological inspiration from political science constitutes a logical choice. As argued by Tarrow (2010), small N paired comparison, is an appropriate choice for both qualitative and quantitative studies, as well as being compatible with comparison of countries most similar or most different to each other.

There are various benefits stemming from the selection of small N paired comparison. These relate to intimacy of analysis, depth of knowledge and understanding of a phenomenon, as well as facilitation of causal-process analysis (Tarrow, 2010; Clift 2014, Brady and Collier, 2004). Due to the nature of the empirical research question in this thesis (i.e explaining how the domestic setting impacts on SME export performance) and due to theoretical approaches utilised (i.e the inter-disciplinary synergy between VoC and IB), the small N paired comparison is selected. The empirical inquiry in this thesis, relates to the 'how' question, which specially seeks to provide a deeper knowledge and understanding about the mechanisms in which the domestic setting impacts on SMEs, hence the small N paired comparison is an appropriate choice as it facilitates formulation of such knowledge and understanding.

The comparative method is also an established method in the IB studies (see Collinson and Pettigrew, 2009 for summary). However, IB studies are dominated by quantitatively based comparisons (e.g Dickson et al, 2013, Kafouros and Aliyev, 2015). Hence, there is a need for a more in-depth comparative qualitative perspective in IB as noted by Fainshmidt et al (2020). This thesis, with its mixed method approach in data collection and qualitative approach in data analysis, aims to address this gap. As an inspiration from IB paper which pursues the small N paired comparison in an empirical study, this thesis draws on Makhmadshoev et al (2015), which sets an important ground for what qualitative data (i.e the interviews) can add to answering IB research questions. The choice of small N paired comparison i.e two country comparison, is also seen in this thesis as an optimal choice. As argued by Tarrow (2010, p 246), a selection of two cases 'offers a balanced combination of descriptive depth and analytical challenge that progressively declines as more cases are added'. Understandably, the selection of small N paired comparison approach, also sparks some limitations in this thesis, which will be outlined in the final sub section of this methodology and in the limitations section in the final conclusion of the thesis.

2.2 Research Design: Case Study Selection, Variables and Context

In terms of its small N paired comparison, the thesis selects Sweden and Greece as two case studies for analysis, which represent countries similar in size (i.e in terms of population) but different in terms of their varieties of capitalism and development status. Thus, this means that to a large extent these represent the two contrasting cases. As noted by Tarrow (2010, p 235), there is no best practice for selection of either most similar or most different cases for analysis and the choice depends on the problem which is investigated in a given research. Here, the specific choice of Sweden and Greece connects to the empirical enquiry which is investigated and theoretical categories utilised. The selection of Sweden and Greece as case studies in this thesis can be justified on a few grounds as explained below.

Firstly, the case selection is inextricably linked with the independent and dependent variables of this thesis. To recall, the EU's competitiveness agenda (i.e Lisbon/Europe 2020) in the context of its trade agenda (i.e GE) represents the independent variable in this thesis, whereas the SME export performance represents the dependent variable. Here, the logic behind selection of Sweden and Greece is the aim to reflect the heterogeneous nature of EU members. The EU is formed by heterogeneous member states representing different capitalist varieties, with some member states highly developed and others less developed. This heterogeneous character of EU member states shapes their competitiveness and export capabilities, with some member states performing better on these fronts than others. On this heterogeneous EU member states spectrum, Sweden represents a country with a robust capitalist model and solid competitiveness and export capabilities, whereas Greece exhibits a country with a deficient capitalist model as well as weak competitiveness and export capabilities. In summary, the selection of these two contrasting cases, reflects the heterogeneous reality which exists in the studied independent and dependent variables (i.e the national competitiveness and SME exports performance of EU member states).

Secondly, the selection of two contrasting case studies is connected to the nature of the empirical inquiry of this thesis i.e the main research question. To recall, it seeks to understand, how the domestic setting impacts on SME export performance. By selecting two contrasting case studies, the thesis assumes at the start that there will be diversity between Sweden and Greece, however the research question does not investigate 'if or whether such diversity occurs', instead it builds on the fact that such diversity occurs, in order to understand the reasons, mechanisms and dynamics behind this diversity. Essentially, it is the 'how' question and here the selection of contrasting case studies was made with an aim to answer the research question in a holistic manner with openness to divergent processes, mechanisms and dynamics behind the way in which the domestic setting impacts on SME exports performance. A selection of two similar case studies would limit the scope of exploration of how the domestic setting impacts on SME exports, because the processes, mechanisms and dynamics behind this impact occurs differently in developed countries with robust capitalist models and occurs differently in less developed countries with deficient capitalist models. Hence, by selection of contrasting case studies, the thesis opens an opportunity to explore different alternatives and scenarios behind the processes, mechanisms and dynamics behind the way in which the domestic setting impacts on SMEs; thus there is an opportunity to answer the question more holistically. However, as argued by Smelser (1976), the comparative analysis of dissimilar units (i.e most different case studies) does not present a methodological problem, particularly when these cases will be compared with reference to the same set of variables. Here, the thesis analyses Sweden and Greece through the same set of intervening/mediating variables, namely: (I) institutional structures/frameworks of the variety of a capitalist model, (II) government policy, and (III) firm (SMEs) operations/behaviour. The intervening/mediating variables are the factors which shape and determine the conduciveness of the domestic setting towards competitiveness in relation to SME exports. The thesis selected specific institutional components (i.e the business environment, innovation system, access to finance, tripartite structures, product markets) as well as specific government policies (i.e trade, labour market and taxation) based on their importance in the theoretical literature (as will be set out in each chapter) and their relevance to the empirical puzzle i.e EU's competitiveness and trade agenda.

Thirdly, the logic behind the specific choice of Sweden and Greece as case studies lies in the theoretical conceptualisations which this thesis embraces, namely the VoC oriented categories. Here, Sweden is selected as a case study which represents robust capitalist model and Greece as a case study which exhibits a deficient capitalist model; hence both countries fit into the contrasting case studies logic explained in the above two paragraphs. Of course, an accurate conceptualisation of these two countries alongside VoC categories required a degree of adjustment, given that original VoC conceptualisations for these two countries can be regarded as outdated or problematic. Despite this challenge, the two countries were selected because they exemplify conceptually appealing factors which make it an attractive choice for selection as contrasting case studies from the theoretical (i.e VoC) point of view, as explained below.

Despite the conceptualisation of Sweden as a CME by Hall and Soskice (2001); this category for Sweden can be regarded as outdated due to various pro-market reforms carried out by Sweden in the 1990s (Sanandaji, 2011, 2012). This contributes to conceptualisation of Sweden as a CME with caveat about its hybrid nature as a starting point in this thesis. The existence of this hybrid factor in Sweden (i.e combination of economically coordinative and liberal elements) makes Sweden an attractive case study when viewed through the VoC lens. Essentially, by successfully combining economically coordinative (CME) and liberal (LME) elements, Sweden can be regarded as a manifestation of a 'robust capitalist model'. As a result, Sweden fits into the paired comparison and contrasting case studies logic of this thesis, because as a single case study it contains both LME and CME elements. This eliminates the need to use a separate case study for LME and for CME in this thesis, in addition to case of Greece, which would add up to three cases overall. The thesis has chosen not to embrace the three cases comparison based on the ground that the paired comparison is seen as a 'balanced choice' as argued by Tarrow (2010). Given the difficulty to find a credible hybrid case study in the EU which successfully combines both LME and CME elements (leading to economic success), Sweden was selected as a credible choice in that regard, as already established in the literature.

By contrast, Greece was selected as the second case study, in order to contrast the robustness of Sweden's capitalist model, with what this thesis refers to as a 'deficient capitalist model'. Following Amable (2003) and Hall & Gingerich (2004), the thesis acknowledges that capitalist models falling outside the LME-CME spectrum are underperforming, one of these prominent models present in the EU is the DME category. Despite the previous classification of Central and Eastern European (CEE) countries as DMEs (Nölke and Vliegenthart, 2009), the case of Greece possesses factors which from the theoretical point of view make it a more appealing choice to use as DME. These factors relate to different components which constitute Greece's dependency, compared to dependency of CEE countries. Greece's dependency as defined in this thesis stems from debt and reliance on external financing, from its positioning within the Eurozone (i.e lack of capitalist model which allows to embrace export driven growth under the Euro currency regime) and from Greece's vulnerable situation post Troika's reforms (i.e undermined economic independence of Greece associated with the rising power of foreign actors in Greece- i.e foreign capital and foreign political forces, given that many public assets were sold off to foreign buyers e.g Chinese). This contrasts with the dependency evident in CEE countries which stems from domination of Multinational Corporations (MC) via Foreign Direct Investments (FDI) which treat CEE countries as assembly platforms for production (Nölke and Vliegenthart, 2009). In the post 2008 crisis climate (which constitutes the timeframe of analysis in this thesis), the decision has been made to use Greece as a case study of DME (instead of CEE countries), because the factors which determine Greece's dependency (e.g Eurozone structures) more accurately reflect the economic struggles through which increasing number of EU member states had to go through during this crisis time period. This correlates with the thesis' need to select contrasting case studies to reflect the heterogeneous nature of EU member states.

The thesis selects the 2007-2017 period as a time frame of analysis. This is justified on the basis of the independent variable used in this thesis- namely EU's competitiveness and trade policy. The time frame of analysis starts in 2007, which is shortly after the EU's trade agenda in form of GE was announced in late 2006. The reason to focus on the period of a decade (up to 2017 in this case) relates to the fact that EU's competitiveness agendas are assessed by the EU itself within a similar timeframe. Here, the benefit of 2007-2017 time frame is that it also coincides with the period of both competitiveness policies promoted by the EU i.e Lisbon Agenda and Europe 2020. In terms of the context of the case study analysis, the selected time frame does pose certain challenges. With regards to the pressures facing both Sweden and Greece, it can be said that they were both subjected to the same EU single market rules. Having said that, it is important to note that both countries operated in different monetary regimes i.e Sweden possessed its own currency (the Krona), whereas Greece was in the Eurozone, resulting in visibly more difficult situation for Greece during its post- 2008 circumstances. Also, both countries were subjected to 2008 crisis to a different extent, meaning that negative impact on Sweden was mild and the decade of 2007-2017 was underpinned by a solid economic performance, whereas Greece was subjected to the 2008 crisis in a profound way, leading to severe crisis in the following decade. In the light of this, the thesis acknowledges the understandable limitations which exist, however despite these monetary and crisis period differences, between Sweden and Greece, the thesis argues that there are reasons for which the findings of this research still hold. For a detailed discussion and justification of these reasons, please see the section on 'validity, reliability and generalisability' in this methodology chapter, as well as limitations section in the final conclusion of this thesis.

2.3 Data Collection/Sources and Data Analysis

In terms of its data collection, the thesis embraces mixed methods approach (Brady and Collier, 2004). Both, qualitative and quantitative approaches possess value and they complement each other (Mahoney and Goertz, 2006). The main value of the qualitative study is that it aims to 'understand' and 'explain' particular cases, processes and developments in a comparative manner (Mahoney and Goertz, 2006; Collier, 1993). By contrast, the strength of the quantitative study lies in its 'valid' and 'scientific' features (Lijphart, 1971, 1975; King et al, 1994; Przeworski and Teune 1970). In its mixed data collection approach, in terms of primary data, the thesis utilises various statistics about dimensions related to the two selected case studies. This statistical evidence is enriched with qualitative material in form of interviews (see below), meaning that the answer will not be based on statistical evidence alone and instead supported by deeper considerations. Whilst, the thesis uses mixed methods approach in data collection; it terms of analysis, it places emphasis on qualitative data analysis approach. This is because the qualitative analysis allow us to gain a deeper and context rich comprehension of a phenomenon (Guba and Lincoln, 1994). The focus of qualitative approach in terms of analysis also fits with the VoC theory which will be widely utilised in this thesis, given that the VoC approach is qualitative in nature. Qualitative data analysis also benefits the IB literature given that the IBV approach and firm internationalisation inquiry were dominated by the quantitative focus (as noted by Makhmadshoev et al, 2015). Here, IB scholars are encouraged to appreciate the broader context whilst analysing institutions (Redding, 2005; Michailova, 2011), which the qualitative analysis can capture and explain in a deeper way. Furthermore, the qualitative analysis approach represents a useful but under-researched perspective for studying SME exports (as indicated by Paul et al, 2017).

In terms of data collection, both primary and secondary data sources have been utilised in this thesis. Secondary sources include findings from the theoretical literature of relevance to the inquiry of this thesis, as well as findings from the background literature on the two selected case studies. The primary data sources include various policy related reports and statistical series (e.g the World Bank, World Economic Forum, European Commission, UN Comtrade etc) as well as governmental reports. The primary data is enhanced by the set of 35 semi-structured interviews (18 in Greece and 17 in Sweden). Due to the nature of the research question and theoretical approaches utilised, the selection of interviewees ranged from policy makers, public officials, experts and academics (26 in total); and these are accompanied by the interviews with SME managers (9 in total). In terms of selection of SMEs for interviews, this thesis follows a standard definition of an SME as considered by the EU- i.e SME as a company which contains above 10 and below 250 employees. The collection of primary and secondary data allowed for the deployment of triangulation techniques, in order to validate the reliability of evidence (Yin, 2003; Patton, 2015). The summary list of interviews can be found in table 2 and 3 below (for the list of questions asked during interviews see the Appendix). In order to obtain contact details for selected interviewees, internet searches were conducted combined with snowballing techniques. All 35 interviewees were conducted in 2019 in the two selected countries, they took place in English, lasted around 1 hour on average and were all digitally recorded and later transcribed. The interview protocols were organised following standard procedures (Brinkman & Kvale 2015); these contained questions related to formal and informal institutions, governmental policies, and more specific questions for SME managers (relating to how domestic environment shaped their decisions, actions and exports). In relation to the analysis of data, based on existing theoretical literature and data from the interviews, the transcribed interviews were organised into broad categories and theoretical sub themes. The transcribed interviews were analysed manually using matrices, tables and mind maps. In terms of validation of sources, the thesis uses the collected mixed data into its strength. The quantitative data (i.e various statistics presented in graphs and tables) is cross-referenced with qualitative data (i.e interviews material). As a result, neither the statistical evidence nor the interview material is taken at face value, instead both of these types of data are used in an interconnected manner to shape the thesis' findings and construct arguments.

A prominent example in which the thesis deployed triangulation between its primary sources i.e between statistical data and qualitative interviews, is by engaging with an established IB debate about institutions as objective indicators and as subjective phenomena (Tsukanova, 2019). One side of the scholarly spectrum draws on statistical figures from various rankings etc (e.g Miocevic, 2016) and conceptualises institutions as objective indicators which impact on all firms in a homogenous way (Schwens et al., 2011). On the other side, scholars argue that objective perspective only captures the average and that institutions are not viewed as objective by market actors such as firm managers themselves (Akbar et al., 2017; García-Cabrera et al., 2016). This is because it depends on information flows towards the market actors, with individual perception of institutional environment by firms being determined by mood, feelings and sentiment (Kahiya and Dean, 2015; Matanda and Freeman, 2009). Similarly in terms of exports, Ganotakis and Love (2012) argue that decisions to export are driven by the 'perception' or risks, costs and barriers rather than objective assessment. In the context of this IB literature, the thesis uses mixed methods approach to its strength and aims to triangulate between statistical data and interviews, in relation to the analysis of crucial phenomenon in the research question i.e the institutions. In its analysis of data, the thesis perceives both statistics and interviews as complementary to each other, with both of them required to be used in cross-reference to each other in order to gain a holistic overview of the institutional environment. In this thesis, mixed methods approach brings elements of validity derived via statistical methods, but also deep insights about subjective understandings that only qualitative methods can reveal. Hence, due to the conducted interviews, the attitudes, perceptions and feelings of SME managers and policy makers about the institutions were captured in data analysis. An example of the thesis implementing such triangulated approach is by arguing on multiple occasions that various post- 2012 improvements in Greece, in terms of business environment, product markets or labour market etc, which were manifested in the statistics, were actually limited on the ground in terms of its average 'perceived' impact by SME managers, as identified in several of my interviews.

Nevertheless, limitations stemming from data collection methods used in this thesis also needs to be acknowledged. The mixed methods approach which combines both statistical evidence and qualitative interviews contains a trade-off which is associated to methodological debate in social sciences about agency and structure perspectives. It relates to capacity of individuals to make decisions either independently or as part of social structures (Giddens, 1979; Kipo, 2014). By combining both perspectives, the thesis is not either agency- heavy or structurally- heavy. The limitation here is that there are limits into how much depth can be explored by combining both perspectives. The combination of both perspectives is associated with the interdisciplinary approach of this thesis, however future studies could address this limitation by focusing specifically on either agency or structure oriented perspectives (e.g education and skills in the case of structure) and capture more deeply some aspects which were not explored in full detail in this thesis.

Table 2 Profiles of Interviews in Greece

Interview Number	Position of the Interviewee	Date	Location
1	-Academic and Former Public Official	January 2019	Athens University of Economics and Business (AUEB)
2	-Academic and Representative of National and European Institutes/Think Tanks.	January 2019	Athens, Hellenic Foundation for European & Foreign Policy (ELIAMEP)
3	-Academic, Former National Official and Expert in the International Organisation.	January 2019	Syntagma Square, Athens
4	-Academic and Representative of a Greek Business Organisation.	January 2019	Athens, Hellenic Confederation of Commerce and Entrepreneurship (ESEE)
5	-Academic, Former Minister in Greek governments, national official and expert in the international organisation.	January 2019	Athens, National and Kapodistrian University of Athens
6	-Academic	January 2019	University of Piraeus
7	-Academic	January 2019	ALBA Graduate Business School

8	-An Economist at the Greek Business Organisation. Formerly worked as a public official and in the financial sector.	January 2019	Athens, Hellenic Federation of Enterprises – SEV
9	-Member of the Greek Parliament, Formerly served as a Minister in the Greek Government.	January 2019	Athens, Government Ministry building.
10	-Academic and Representative of National and European Institutes/Think Tanks	January 2019	University of Piraeus
11	-Academic	January 2019	Athens University of Economics and Business (AUEB)
12	-Trade and Investment Policy Specialist	January 2019	Enterprise Greece S.A, Athens.
13	-An Economist and an Entrepreneur.	January 2019	Openfund, Athens.
14	Firm 1- Manager Specialises in the production and sales of healthy and natural Mediterranean food products. Exports mainly to Europe, China and USA. Number of Employees: up to 15.	January 2019	Monastiraki, Athens
15	Firm 2- Manager	February 2019	Online Skype

	Internationally recognized producer of virgin olive oil. Exports to various European markets, USA and Singapore as other major markets. Number of Employees: up to 15.		
16	Firm 3- Manager Prominent producer, processor and trader of marbles and other decorative stones. Active in exporting to the European, Asian & North and South American region. Number of Employees: Up to 80.	January 2019	Palaio Terma, Athens
17	Firm 4- Manager Provider, Designer and Manufacturer of IT, smart grid, and wireless-based systems, as well as and electronic components, to businesses and organizations. Involved in international business with worldwide clients. Number of Employees: Up to 80.	March 2019	Online Skype
18	Firm 5- Manager Experienced producer of composite and plastic pipes	January 2019	Nea Chalkidona, Athens

	and fittings designed for various applications (e.g heating, sanitation, drainage systems, geothermy, solar systems, cooling). Exporting to markets in Europe, Middle East, and Asia. Number of Employees: Up to 50		

Table 3 Profiles of Interviews in Sweden

Interview Number	**Position of the Interviewee**	**Date**	**Location**
19	Academic, Former Public Official and Currently an expert at Governmental Ministry.	January 2019	Stockholm University
20	Representative of a Swedish Business Organisation.	January 2019	Confederation of Swedish Enterprise, Stockholm.
21	An Economist at a Swedish Business Organisation.	January 2019	Confederation of Swedish Enterprise, Stockholm.
22	Academic	January 2019	Online Skype
23	An Economist and Think Tank Representative	January 2019	Timbro Think Tank, Stockholm.
24	Academic	January 2019	Research Institute of Industrial Economics, Stockholm.

25	An Economist and Research Institute Representative	January 2019	Research Institute of Industrial Economics, Stockholm.
26	Representative of a Swedish Business Organisation	January 2019	Stockholm Chamber of Commerce
27	Former Public Official and Expert at Governmental Ministries and Swedish Central Bank.	January 2019	Ratio Institute, Stockholm.
28	Academic and Research Institute Representative	January 2019	Swedish Agency for Growth Policy Analysis, Stockholm.
29	Representative at Research Institute	January 2019	Swedish Agency for Growth Policy Analysis, Stockholm.
30	Public Official, Representative of Trade Organisation.	January 2019	Swedish National Board of Trade, Stockholm.
31	Academic	January 2019	Uppsala University,
32	Firm 1- Manager Experienced and prominent producer of timber and forestry products. Exports to more than 30 countries around the world; with Middle East being its strongest market. Number of Employees up to: 80	January 2019	Drottninggatan, Stockholm.
33	Firm 2- Manager	February 2019	Kungsgatan, Stockholm.

	A software company offering its IT solutions (e.g to improve business operations and productivity) to various clients worldwide. Number of Employees up to: 15		
34	Firm 3- Manager Established wholesaler, supplier and exporter of Atlantic fish and sea food. Exports to different continents; with notably South-East Asia being its major target market. Number of Employees up to: 50	January 2019	Drottninggatan, Stockholm.
35	Firm 4- Manager Designer and manufacturer of various electronic goods and devices. Present with exports mainly in the European market; but also in North America. Number of Employees up to: 50	March 2019	Online Skype

2.4 Research Validity, Reliability and Generalizability

The first sub section of this methodology chapter has justified the selection of small N paired comparison approach and outlined its strengths. Among these strengths, especially important from the point of view of this thesis, is the depth of knowledge and understanding of a phenomenon (Tarrow, 2010). This is because the goal of the main research question is to explain in depth how the domestic setting impacts on SME exports. However, it needs to be acknowledged that small N paired comparison samples have limitations, with the most important one being the smaller degree of generalisability compared to large N samples (Mills et al, 2006). They also risk analysing many variables with too few case studies to tests the causality (Mills et al, 2006). The main goal of large N samples is to achieve rigour and reliability by analysing variety of different cases in order to maximise the degree of generalisability (Levi Faur, 2006). As a result, a smaller degree of generalisability (compared to large N samples) of the findings from this thesis needs to be acknowledged. Here, it can be suggested that it would be intellectually useful if this study could be conducted in the future using a larger N sample to test the extent to which its general findings will be replicated in larger N settings. Nevertheless, it also needs to be articulated that the main aim of this thesis is to provide depth of knowledge and understanding of the investigated phenomenon and not to make grand universal laws and theories which will hold in all future cases. It can be argued, using the insights from Pierson (2004, p.6), that the main goal of this thesis in its small N paired comparison is not a full blown generalisation but a 'limited portability' of the findings from this thesis beyond the immediate time and context. The thesis argues, that in relation to its findings, such limited portability- in other words 'a degree of generalisability' certainly holds.

The case for a certain degree of generalisability of the findings from this thesis can first be made on the grounds related to its case selection. As argued by Ragin and Zaret (1983), small N samples can provide a degree of generalizable findings, but in a different manner compared to large N samples; the key here is the selection of cases. As argued by Lijphart (1975, p 160) carefully selected case studies that 'belong to a larger category of cases' can provide a wider degree of extrapolations. In a similar line, Clift has argued for the selection of 'paradigmatic cases' for understanding dynamics of a wider phenomenon (Clift, 2014, p 300). Here, the selected case of Sweden represents robust characteristics of capitalist models and moreover it possess hybrid coordinative and liberal elements, meaning that it exemplifies a broader category of LMEs and CMEs combined. By contrast, the selected case of Greece represents deficient characteristics of capitalist models, not only exemplifying characteristics that DME capitalist models possess, but also other inefficient capitalist models where clientelism, rent seeking and state capture is dominant. Thus, given that both selected case studies, belong a larger category of 'paradigmatic cases', it can be argued that they will hold 'a degree of generalizability' beyond these two cases and beyond immediate time and context of this study. Moreover, the analysis in this thesis offers a set of themes, represented in this thesis as intervening/mediating variables which can be applied to other cases in the future. These themes represent the key contributors which shape export performance of SMEs. Importantly these themes are made out of interdisciplinary features, thus they account for wide variety of dimensions and as a result provide a more holistic overview of factors that determine SME exports. It is these themes (i.e intervening/mediating variables) where the degree of generalisability has the greatest potential, as well as the theoretical synergy between the VoC and IB theories (i.e IBV-RBV) which is at the heart of this interdisciplinary outlook on factors that shape SME exports. As a result, a similar claim can be made in relation to validity, essentially it can be argued that the thesis' findings may to some degree apply in other cases. This is because this research, by focusing on Sweden and Greece, charted new theoretical territory for how to investigate related questions in the future. This theoretical framework represents the key building block of validity of this thesis' findings. Nevertheless, overall, in relation to generalisability and validity, it would of course be intellectually beneficial to repeat this study in the future on a larger sample to test whether the importance of these variables is similarly important for wider variety of cases.

On the other hand, whilst the thesis offers useful findings especially in terms of mechanisms in which the domestic setting impacts on SME exports, it needs to be acknowledged that there are some limitations in terms of findings stemming from the case studies of Sweden and Greece. As previously acknowledged in the first sub section of this methodology chapter, Sweden and Greece differ in terms of monetary regimes as well as in terms of how the post-2008 crisis context affected both countries. Essentially, it needs to be acknowledged that by possessing independent Krona, Sweden could offer its SMEs an advantage in exports by devaluing its currency, it is a privilege that Greek SMEs did not have. Also the 2007-2017 period, affected Greece and hence its SMEs in a visibly more destructive manner compared to Sweden and its SMEs which to a large extent escaped the worst repercussions of the crisis, albeit of course were still affected to some extent. Thus, there is a degree of limitation in terms of knowledge gained from these case studies, due to these different contexts. Whilst acknowledging this limitation, the thesis argues that there are reasons for which the findings from these two cases still hold.

Firstly, in relation to Sweden and its independent monetary regime, chapter 2 section 2.2.6 acknowledges the benefit stemming from independent devalued Krona to Swedish SMEs. However, in the same time that section also argues (following previous study i.e Norland, 2019) that the depreciating Krona since 2008 and especially since 2012, was unable to prevent the structural issues in Swedish exports which were manifested in shrinking export to GDP ratios and decreasing trade balance surpluses for Sweden. Thus, whilst monetary dimension is of course an important factor in foreign trade, there are other very important components e.g the intervening/mediating variables studied in this thesis. These represent valid explanation for export performance (e.g taxation and labour market dimensions were to some extent problematic in Sweden, contributing to weakening of its export position). Nevertheless, of course a degree of limitation is recognized here, hence a comparison in a large N sample, of countries operating within the same monetary regime, would be beneficial in a future study, as it would eliminate this distortive monetary factor which can boost SME exports. By doing so, they can achieve more level playing field in the analysis, as the intervening/mediating variables discussed in this study will not be distorted by monetary factor which can unfairly boost one country's exports over the other country.

Secondly, in relation to Greece, the thesis on multiple occasions acknowledges that the 2007-2017 time-frame was a crisis- ridden period for Greece and undoubtedly this impacted on the performance of Greece on the various intervening/mediating variables analysed. The thesis, however, holds that this does not misrepresent Greece because it argues that profound structural issues existed historically in the previous decades before the post-2009 crisis period. Most importantly, these issues include Greek SME export underperformance (Böwer et al, 2014; Mitsopoulos and Pelagidis, 2014), as well as clientelism, rent seeking and state capture (Michas, 2011), all of which represent the key building blocks of the argument which the thesis constructs for Greece. Also, in relation to the intervening/mediating variables investigated, as illustrated in the thematic chapters (especially using insights from interviews), the underperformance of Greece on various aspects (business environment, product markets, taxation system, or EPL) was also historical and intrinsic to the previous decades before the 2007-2017 investigated period. However, of course, some indicators such as labour productivity or access to finance deteriorated visibly more during the investigated period and were in the better shape in the previous decades. Overall, of course, a degree of limitation needs to be acknowledged. Hence, it can be suggested that it would be useful if a study on Greece could be conducted in the future by investigating Greece in a time frame different than the 2008 crisis period and by taking a more historical perspective which would account in detail for its performance in previous decades.

Finally, it is also worth considering the reliability of data in the context of this thesis. Reliability relates to consistency of measurement or stability of measurement over different conditions (Bollen, 1989; Nunnally, 1978). Understandably, data gathered in research can be influenced by measurement errors (Drost, 2011). In this context (given that the thesis, in addition to statistics also relies on interviews) it needs to be articulated that the interview strategy for this research was not to interview a representative sample of all potential interviewees as in the case of large scale surveys. Whilst various surveys claim their reliability based on representativeness of their samples, in the case of this thesis, the purpose of interviews was not to produce a representative dataset of all different types of SME mangers, experts and policy makers. Instead, the thesis utilised the interviews as a way of acquiring qualitative data, to better understand the context, which serves the more holistic interdisciplinary approach which this thesis pursues by combining VoC with IB theories.

Chapter 3 : Topic Background

Introduction

The first part of chapter 2 is preoccupied with providing the background needed to understand the research question and empirical puzzle tackled in this thesis. It is providing this background by shedding light into: EU's competitiveness policy agenda (i.e Lisbon Agenda and Europe 2020) , EU's trade dimension- trade policy agenda (i.e GE), EU as a trade policy actor as well as context for European SMEs and their exports.

3.1 Introduction to Global Europe, Lisbon/Europe 2020 agenda and European SMEs

3.1.1 Trade policy making procedures in the EU, member states preferences and lobbying

The contemporary trade policy making at the EU level is conducted by the interactions between the European Commission (EC), the Council and the European Parliament (EP). The process begins by draft mandate produced by the EC, namely the Directorate-General (DG) for Trade, which sets out agenda and the negotiation aims, which are representative of member states positons as well as business and civil society interests (Wallace et al, 2015). The EC's agenda is then submitted via proposal to Foreign Affairs Council (FAC) and the EP, however the crucially active role in the process is played by two Council committees on trade (Gstöhl and De Bièvre, 2017). The first and main one is the Trade Policy Committee (TPC) consisting of member state trade officials, it offers advice on common commercial policy, provides guidance and assistance to the EC in the negotiation of trade deals and convenes at levels of the full members, deputies and the experts. The second one are the Working Parties on trade created by the Council, consisting of the Trade Counsellors in the Permanent Representations of the member states, their responsibilities relate to implementation of legislation and the application of the instruments of EU's trade policy (Gstöhl and De Bièvre, 2017). The Council authorizes the EC to negotiate 'with the assistance' of the member states, with a mandate which is not time limited. The general tendency is that the EC, is given flexibility and power on technical discussions and substance of trade, and attempts to deal with them at the TPC, whereas sensitive political issues such as liberalisation of strategic sectors of certain member states can potentially gain attention and be politicized in the Council (Wallace et al, 2015). The EP is being regularly informed and updated, but it has a weaker veto power and does not have formal powers to decide on EU's negotiation objectives (Gstöhl and De Bièvre, 2017). The EP does however need to provide consent to all trade agreements signed by the EU via formal ratification. Once trade negotiations terminate, the results must also seek consent of the Council via Qualified Majority Vote (QMV).

Given that member states play an important role in terms of ratifications of trade agreements through the Council or the national parliaments, it becomes necessary to acknowledge individual member states' trade preferences and their positon on the trade spectrum. The literature is however not very fertile in terms of producing empirical knowledge on EU member states' preferences on trade over the recent historical spectrum. Several authors such as Young (2007a), Alons (2013), and Adriaensen (2014) raised the need to focus more attention on individual member states and their positons on trade beyond simple interactions between them and the Council. Nevertheless, mostly we still categorise EU member states in rather dichotomous terms i.e. liberal and protectionist. However, Wallace et al (2015) highlight that trade preferences of EU member states are of course changeable and constantly challenged by specific sector interests, domestic political forces, economic cycles and other factors. Therefore within each member state there are specific dimensions of trade where liberalisation is promoted whereas in others protectionism is wanted, e.g. Ireland and its protectionist stance on agriculture but promotion of liberalisation of trade in manufacturing and services or Germany and its liberal stance on trade in goods but more protectionist on services, (Wallace et al ,2015). It needs to be remembered that liberalisation of services is more challenging than free trade of goods, due to heterogeneity of services and their regulation, (Gstöhl and De Bièvre ,2017). Broadly speaking, countries of the 'North' of Europe, led by UK, Sweden, Denmark, Finland, Germany and Netherlands represent the liberal preferences on the trade spectrum whereas 'Southern' European countries led by Italy, France, Portugal, Spain and Greece represent the protectionist stance on the trade spectrum, with especially agriculture and textile protection being important to them (Wallace, et al 2015). By contrast, the Eastern European countries are often in swing positions (Wallace, et al 2015). The protectionist group of countries perceive trade reciprocity in a more mercantilist sense where any potential sector opening has to be matched by equivalent opening by trading partner of the relevant sector, whereas liberal countries embrace reciprocity in a broader way as it is done in the WTO, (Wallace, et al 2015). Generally speaking, it can be interpreted that Northern ‘liberal’ European states are more favourable and better equipped for the liberal free trade agenda promoted by the EU in form of Global Europe (GE), whereas southern ‘protectionist’ states are more sceptical and potentially lack adjustment mechanisms to such liberal free trade GE agenda. Nevertheless, it needs to be remembered as highlighted by Gstöhl and De Bièvre (2017), that EU member states do not always rigidly stick to the liberal-protectionist labels, instead coalitions in the Council are dynamic and changing depending on particular sector which is negotiated and its potential implications for the production, investment and employment of particular country.

The EU and business lobbying relationship, can be conceptualised through two-channel logic, where businesses lobby the EC either for liberalisation or protection of certain sectors, but in the same time, the EC seeks the support of business in order to gain bargaining power in relation to third countries and certain EU member states (Van den Hoven, 2002). Whilst lobbying of EC by businesses directly may be challenging, businesses often make their voices heard through a formal route i.e. various lobby organisations. The broad SME interests are filtered within these big horizontal employer associations such as Business Europe or Eurochambers, there are however lobby organisations directed specifically to SMEs, e.g. SME Europe or UEAPME. Coen and Dannreuther (2002) emphasize that it is much harder for SMEs than for big businesses to lobby the EC due many constraints such as the lack of resources and experience. When the SME issues are discussed by the EC, the horizontal organizations are preferred by the EC and are invited as representatives of SME interests, (Coen and Dannreuther, 2002). According to Burhöi (2008), the fact that EC makes a distinction between the horizontal and sectoral federations, is a problem for SME interest representation, as often policies proposed have specific sectoral impacts and the lack of collaboration between horizontal and sectoral federations may reduce SME influence. The other issue noted by Burhöi (2008) is the heterogeneous nature of SME preferences which are existing within federations, these occur due to national interests, which undermine united interests of SMEs.

3.1.2 The power of EU in global trade

The sources of EU power in global trade, in the most orthodox sense, result from economic strength, underpinned by the market size and share of world trade (Meunier and

Nicolaidis, 2006). Following the establishment of the European Economic Community (EEC), the EU with its market power and negotiating leverage emerged as main rival to the US and after 2004 enlargement, the EU became undoubtedly the world's largest trading block and the main trade superpower alongside USA and China (Meunier, 2005). It has been highlighted by Meunier and Nicolaidis (2006) that EU is a conflicted trade power, due to heterogeneity of interests and divergence of views, underpinned by different member states who are lobbied by various domestic actors. Such conflicted power status, does not however translate into a weakness or diminished influence. Meunier and Nicolaidis (2006) highlight that EU has been negotiating in global trade in situations where its negotiators' hands have been constrained due to internal member states disputes, nevertheless, the EU has still obtained desired results. In addition, the power to persuade is an important characteristic of the EU which translates into power in global trade. The EU which is often portrayed as distinctive and normatively motivated actor (Manners 2002) dedicated to promoting multilateralism (Cooper, 2003) can use its positive external image to its advantage and enhance its persuasive power in the trade realm as noted by Young (2011).

However the extent of EU's power in global trade can be contested, this is because the global trade landscape post new millennium has partly shifted from bi-polarity of the US-EU to multipolarity underpinned by new emerging powers e.g. China, Brazil, India. Young (2011) argues that post new millennium, the US-EU axis was no longer able to dominate multilateral trading system. The rise of new trade powers that had to be accommodated into the trade regime, correlated with decline of EU's ambitions to shape multilateral trading system (Young, 2011). The perfect example was the so called Singapore issues (trade related dimensions such as investment, competition, customs issues and government procurement) which were pushed and promoted by EU during the Uruguay Round of WTO in 1990s. This agenda was met with scepticism and hostility from powerful developing countries such as Brazil, India and China as well as other poorer nations due to their fears that it diminishes developmental space of these countries, the result was the EU dropping these Singapore issues from the multilateral trade agenda (Ahnlid and Elgström, 2014). In addition, while considering the influence of EU in global trade, Young (2011) notes that despite the EU being the largest market, it is in the same time a mature market similar to the US (compared to new trade powers which have emerging markets). Overall, the changing power relations and dynamics in the multilateral trade, create situation of 'role uncertainty' especially for traditional powers such as EU, as its dominance in global trade is increasingly challenged (Ahnlid and Elgström, 2014). There is no surprise that in such a challenging multilateral trade climate, agreements at the WTO level have not been reached and Doha round has not been completed, instead countries turned towards regionalism (regional trade deals) and signing global bilateral deals. The EU has been embracing this strategy too through Global Europe (GE).

3.1.3 The EU competitiveness strategy: Lisbon agenda and Europe 2020

The above trade related discussion needs to be considered in collaboration with the competitiveness dimensions which stimulate and support trade of nations and firms (Porter, 1990; Huggins and Izushi, 2015; Huggins and Thompson, 2017). The EU has been active on the competitiveness front since the start of the new millennium, with the Lisbon agenda announced in the year 2000 and its updated 2010 version called Europe 2020. In the context of accelerating globalisation, rising external competition, ageing European population and changing nature of the global economy, the EU's Lisbon agenda aimed to revive economic growth and job creation through enhanced competitiveness within and between EU member states. This would be done by turning the EU's economy into 'the most competitive and dynamic knowledge based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' (Council of the European Union, 2000).

In terms of its policy range, the EU's competitiveness agenda aimed to reconcile opposing visions of European integration, by combining economic efficiency with social solidarity and creating hybrid EU political economy, or 'meta-model capitalism' reflecting elements from the two most prevalent varieties of capitalism at the EU level, namely liberal and coordinated market economy- LME and CME respectively (Mabbett and Schelke, 2007; Rodrigues, 2009). At the heart of its substance, the Lisbon/Europe 2020 agenda referred to competitiveness as 'quality' which refers to macro-level qualitative competitiveness components associated with the CME variety of capitalism, and competitiveness as 'quantity' which corresponds to the micro-level quantitative competitiveness elements associated with the LME variety of capitalism (James, 2012). The CME style competitiveness as quality contains: enhancing of knowledge [investment in education, training and skills, increased spending on research and development (R&D) reaching 3% of GDP, and promotion of new technologies], social inclusion [social justice and poverty reduction], industrial activism [industrial policy combined with technological innovation, promotion of comparative advantage of firms via active role of the state through the use of non market instruments in selected industries] (James, 2012). The LME style competitiveness as quantity contains: fiscal discipline [sustainability of public finances], market liberalisation [integration within single market of goods and efforts to complete the single market in services], entrepreneurship [favourable business environment through reduction of regulatory and administrative burdens, wage moderation, and lower taxes], labour market flexibility [mobile and adaptable workforce, reform of unsustainable social protection systems, wage costs in line with productivity growth] and free trade [open economies, removing barriers to trade, embracing EU's free trade deals] (James, 2012). Table 4 below exhibits the competitiveness dimensions (policies) which this thesis investigates in the subsequent empirical chapters. Understandably, due to word constraints, the thesis is not preoccupied with all of the above mentioned competitiveness dimensions, instead it strategically selects those competitiveness dimensions of direct importance to SME functioning and exports (the importance of these selected dimensions will be highlighted in the empirical chapters). As a result, for instance, social inclusion, is not investigated in this thesis, as it is not a factor of direct importance to SME functioning and exports which is of interest to the research question here.

Table 4

Competitiveness Dimensions/Policies Investigated in this Thesis:
Business Environment and Innovation System
Access to Finance for Firms
Tripartite Relations and State-Business Relations
Trade Policy and Industrial Activism
Labour Market Policy including Skills Development
Taxation Policy
Actions of SMEs: Survival and Export Strategies

Regarding the governance structure for Lisbon and Europe 2020 agenda, the open method of coordination (OMC) was used and represented a soft mode of governance lacking the ability to coerce member states into reform. The OMC was underpinned by reform and coordination through the implementation of national guidelines by domestic governments, the usage of indicators and benchmarks to observe compliance by the European Commission and promotion of best practice and peer review in the Council (Copeland and Papadimitriou, 2012). Europe 2020 agenda aimed to strengthen the governance architecture by launching the 'European Semester', essentially it combined national reform programmes adopted under Europe 2020 with domestic stability and convergence programmes under the stability and growth pact. This was not however a radical change, as Europe 2020 still operates within the OMC realm, where progress within policy areas is still monitored and discussed by the Council. Thus in general the EU competitiveness agenda (Lisbon and Europe 2020) remained an inter-governmental process with the lack of central role for the supra-national institution such as European Commission. This was justified by the reluctance of nation states to surrender more of their sovereignty by allowing the Commission to monitor the implementation, instead policy learning and peer pressure within Council were preferred (Copeland and Papadimitriou, 2012).

It needs to be noted that, both the competitiveness policy range and governance architecture outlined above were manifestation of political compromise between competing interests of EU member states. The initial Lisbon agenda since 2000, was widely promoted by the UK, Spain, Germany and Netherlands (respectively under Tony Blair, Jose Maria Aznar, Gerhard Schroeder and Wim Kok), also the centre left governments possessed clear majority in the European Council during that period and were advocates of the competiveness policy range representing hybrid 'third way' EU political economy. Whereas opting in favour of the soft mode of governance -OMC, was associated with an influence of Scandinavian countries and preparation for 2004 enlargement containing eastern European countries (James, 2012). The mid review of Lisbon agenda in 2005, correlated with Jose Manuel Barroso as the new president of the Commission and was led by the revival of centre right governments which represented majority in the Council, as a result the LME style competitiveness as quantity objectives were more vocally emphasized (James, 2012). Overall, whist conceptualising EU member states within this competitiveness agenda, the diversity of member states' varieties of capitalism mean that starting points and institutional configurations of nations are different. Hence despite common European competitiveness policy attempts, the outlook for process convergence (implementation) and outcome convergence (competitiveness results) was doubtful from the start. For instance whilst CMEs such as Denmark had an advantage in flexible labour market arrangements, and LMEs such as UK had an advantage in favourable regulation of markets, southern European states lagged behind at the start of the process in both of these dimensions (Copeland and Papadimitriou, 2012).

The diversity of EU member states in terms of institutional arrangements of their varieties of capitalism, meant that EU member states competitiveness outcomes were not homogenous and lacked convergence. The literature points towards consensus around the fact that Lisbon agenda between 2000-2010, has fallen short of achieving its ambitious targets and aims (Borrás and Radaelli, 2011; Tilford and Whyte, 2010). For instance the R&D spending on average in EU member states between 2000-2010 was 1.9% (as a % of GDP), underperforming against the 3% target (Copeland and Papadimitriou, 2012). Despite some positives associated with policy learning process, the translation of certain competitiveness policies proved problematic for many countries, the weaknesses around governance architecture based on OMC was named as one of the main reasons for weak achievements of EU's competitiveness strategy (Copeland and Papadimitriou, 2012). The Europe 2020 agenda is still ongoing, hence it's too early to fully assess it, however due to 2008 financial crisis and Eurozone crisis which negatively affected many European countries, the progress towards achieving competitiveness goals has been visibly undermined in some EU member states. This is due to difficulty of forming domestic coalitions towards pro-competitiveness reforms in some member states during the crisis period; as instead the emphasis shifts to social protection and welfare state aspects during public debates.

As already mentioned, free trade is part of LME style competitiveness as quantity element within the EU's Lisbon/ Europe 2020 agenda. On the other hand, the beginning of next section will reveal that internal competitiveness of EU member states is an important dimension of Global Europe, meaning that both Lisbon/Europe 2020 agenda and Global Europe are deeply intertwined with each other.

3.1.4 The key dimensions and agenda of GE and an outline of its progress.

The GE agenda was initiated by the EC's Directorate-General (DG) for Trade in 2006 policy paper called: 'Global Europe: Competing in the World'. It set out an ambitious international trade strategy for signing free trade agreements, which would allow opening of new foreign market opportunities for European firms and making sure that European firms can compete in these markets fairly. An important part of GE agenda was enhancement of EU member states competitiveness, which correlates with the previously outlined initiatives i.e. Lisbon agenda and Europe 2020 (European Commission, 2006). As a result, GE has two dimensions, external and internal, with the former focusing on allowing European firms to embrace new market opportunities around the world and internationalise their operations, and the latter dimension focusing on supporting internal competitiveness of the European Single Market and creation of a business friendly environment at domestic member states. This thesis is preoccupied with analysing components associated with the internal dimension of GE in the context of its external dimension, hence exploring competitiveness of member states in relation to free trade (i.e SME exports). At the heart of the initial GE agenda, there were 8 major dimensions: completion of Doha Development Round, launch of new free trade deals, promotion of transatlantic trade, trade strategy towards China, enforcement of Intellectual Property Rights (IPRs), renewed market access strategy (MAS), public procurement and review of trade defence instruments. In relation to these dimensions, the Doha round has still not been completed, however progress has been made with the EU signing free trade deals, as well as establishing MAS (information on foreign market access conditions to European firms). IPRs and public procurement in developing countries are still globally contentious issues and dealt by the EU on case by case basis within free trade deals. (European Commission, 2006).

Short after announcement of GE in 2006, the 2008 financial crises followed, it nevertheless did not result with a paradigm shift in the EU policy. Following the crises, the Lisbon agenda was updated into Europe 2020, and the commitment to GE trade agenda was reiterated, reinforced and updated in the EC's 2010 document called 'Trade, Growth and World Affairs'. Siles-Brügge (2013) uses a constructivist political economy approach to conceptualise EU policy within this period and argues that the EC constructed a discourse of ‘no alternative’ to trade liberalisation and competitiveness agenda of Europe 2020, the EU rhetoric presented situation as ‘no choice’ but to embrace offensive international trade agenda. However, following various early critiques of GE from NGOs and wider civil society e.g Seattle to Brussels Network (2008), War on Want (2006) and further controversies surrounding debates about TTIP (Transatlantic Trade and Investment Partnership) and CETA (Comprehensive Economic and Trade Agreement), the EU has once again altered its trade policy in 2015 (in its ‘Trade for All’ document). This strategy still continues ambitious free trade agenda of GE, but integrates socially inclusive dimensions i.e the protections of consumers, workers, environment, public services and sustainable development in response to civil society pressure (European Commission 2015).

One of the earliest and most comprehensive free trade deals negotiated by the EU under GE banner was the agreement with South Korea. It was launched in 2007, provisionally applied from 2011, and fully ratified and signed by required actors in 2015. The agreement eliminates industrial tariffs on over 96% of goods, some agricultural tariffs are removed and bureaucratic barriers are also removed as Korea recognizes many European standards and certificates. Moreover liberalisation of services sectors such as telecommunications, legal, environmental and financial are included (Ahearn, 2011). The East Asian region is of economic importance for the EU, hence the EU turned its attention to the ASEAN (Association of South East Asian Nations) region as a whole, launching negotiations in 2007, it was nevertheless impossible to reach such agreement (although talks are still in place). Instead, since 2009 the EU turned attention to individual ASEAN members, for instance in 2014 it reached political conclusion to trade agreement with Singapore and in 2015 with Vietnam, both deals are still pending for signatures and ratifications. Additionally, in 2016 the EU started negotiations with Philippines and Indonesia (European Commission, 2018). Finally, an ambitious economic partnership agreement with Japan, one of EU’s crucial trading partners was reached in 2017, with ratification in 2019. This represents one of the most spectacular EU’s bilateral trade deals up to date. It removes between 94-99% of tariffs on both sides, and some other trade barriers, encourages business investment and ensures protection of intellectual property rights.

Another region of importance for EU’s trade is Latin America. Attention was turned towards Mercosur (regional South American trading bloc, consisting of Argentina, Brazil, Paraguay, Uruguay and currently suspended Venezuela); the first negotiations between the

EU and Mercosur were launched in 1999 but then stalled in 2004. The major disagreements related to EU farm subsidies and quotas which Mercosur wanted EU to reduce, and conversely EU wanted Mercosur to reduce tariffs on industrial good, provide more comprehensive patent protection and access for financial services (Ahearn, 2011). However during GE round of EU trade strategy, a compromise on the above issues was constructed, and agreement in principle was reached in 2019. Furthermore, the free trade deals with Mexico and Chile were signed and enforced prior to GE, in year 2000 and 2005 respectively, currently these deals are being updated further. As part of GE, the EU reached agreement with six Caribbean countries in 2010 (Costa Rica, Honduras, Panama, Guatemala, Nicaragua and El Salvador) and the agreement was provisionally applied in 2013. Likewise, in 2012 agreements were concluded and signed with two South American countries; Peru and Colombia, then applied in 2013. In addition, recently the deal with Ecuador was also reached, signed in 2016 and provisionally applied in 2017 (European Commission, 2018).

The African region in terms of trade has not been neglected by the EU either, and achieved attention through Economic Partnership Agreements (EPA) which comprise of around 16 (Western/Eastern) African countries. Currently these (interim) agreements have been signed and applied by Ivory Coast, Ghana, Kenya, Rwanda, Madagascar, Mauritius, Seychelles and Zimbabwe. Signatures of other required African countries are needed prior application of such bilateral economic partnership between the EU and Africa. (European Commission, 2018).

Moreover, in relation to other major global trading partners, CETA agreement with Canada which was initiated in 2009, has been provisionally applied in 2017, and presented as one of the main trade achievements of the EU. In addition, potential deals with India, Australia and New Zealand are on the agenda too, however TTIP (Transatlantic Trade and Investment Partnership) with the USA seems rather impossible in the current political climate.

3.1.5 Performance and internationalisation of EU based SMEs and the surrounding environment at the European level

Finally, in the context of EU's competitiveness and trade policies, performance of European SMEs and their internationalisation need to be outlined. SMEs are of course a dominant group of businesses in the ESM, constituting its backbone and representing 99.8% of all businesses in the EU, 66.6% of people employed in the EU, and 56.8% of value added in the EU; a big proportion of these SMEs are micro enterprises which employ below 10 people (SBA, 2017). This thesis in its fieldwork interviews selection, turned attention to SMEs which contain above 10 and up to 250 employees (a classic definition of an SME by EU standards). In terms of sectors, the crucial SME sectors within the ESM are wholesale and retail trade, manufacturing, professional activities (including business services), and construction, in 2016 these sectors represented 65.9% of SME value added and 67.6% of SME employment (SBA, 2017). Generally speaking, in the recent period between 2012-2016, the EU based SMEs value added recovered to pre-crisis situation and surpassed its 2008 level by 10.9% in 2016. The recovery and rather positive SMEs data during 2012-2016 was not widespread across all member states and there were visible variations. Among the EU member states, there were nine countries, which exhibited complete recovery in relation to three dimensions: number of SME firms, employment and value added (recovery in comparison to pre 2008 crisis). These countries were: Austria, Belgium, Finland, Germany, Luxembourg, Malta, Poland, Sweden and the UK. For the remaining countries, SME recovery has not been uniform across the three dimensions (European Commission, 2017).

In terms of internationalisation of EU based SMEs, after the announcement of GE in the late 2006, the European Commission (2010) study examined the period of 2006-2009, based on a survey using the sample size of 9,480 SMEs in 33 countries (includes all EU members and some other European neighbouring countries). The study argues that European SMEs are not particularly active in terms of internationalisation. Unsurprisingly, the most common modes of internationalisation are exports and imports, while 25% of SMEs based in the EU exported inside the ESM between 2006-2009, only 13% of these SMEs exported beyond the ESM in that period. The data for importing is similar for the mentioned timeframe, 29% of SMEs imported from within the ESM, while 14% imported from outside of the ESM (European Commission, 2010). It is important to note that importing is also a useful form of internationalisation, as it can increase cost effectiveness, provide access to new technologies and expertise, and can be a step towards becoming active via exporting. The study also highlights the link between the size of an SME and its experience, the bigger size and experience of SME unsurprisingly correlates to more active internationalisation at least within the ESM. In terms of the SME sectors that are the most internationalised (within the ESM and beyond) are mining, manufacturing, wholesale trade, research organisations and sales of motor vehicles (European Commission, 2010). Generally speaking, it is also understandable that most of EU based SMEs treat the ESM as their first appropriate market, it can be interpreted as the first necessary step before embracing internationalisation beyond the EU region in the future.

The next internationalisation study to be highlighted is the Eurobarometer survey (2015) conducted by the European Commission. It examined the period of 2011-2014, based on the sample size of 14,513 SMEs in the same countries as the above study. It illustrated that EU based SMEs did become more active outside the ESM, with 20% of them exporting outside the ESM and 19% importing from countries outside of the EU. The other modes of internationalisation were much less prevalent, 7% of EU based SMEs, used a subcontractor from outside the EU country, 5% worked as a subcontractor for non EU nation, 4% collaborated with non EU partner for R&D, and 2% directly invested outside of ESM (Eurobarometer, 2015).

However, in order to achieve a rather more holistic and rigorous view on the matter of internationalisation (especially beyond the EU- which is what this thesis is particularly interested in, given that the EU signs trade deals with third countries beyond its region as part of its trade agenda), we should turn attention towards the SBA fact sheets. These correspond to the Small Business Act for Europe, the EU's flagship pro-SME policy initiated in 2008 which aims to provide guidance, monitor and assess the progress of EU member states. It includes a set of policies underpinned by 10 principles such as entrepreneurship, access to finance, skills & innovation and internationalisation. Here, the aggregate data based on a more rigorous and holistic methodology and the sample size (which includes only EU member countries) is less optimistic about internationalisation of EU based SMEs beyond the ESM. The SBA (2016) highlights that as of 2014, 7% of EU based SMEs exported beyond the EU, it mentions that EU average for SMEs with extra-EU exports (focusing on goods) is 9.95% (% of SMEs in industry), here individual EU countries are compared against this figure. For instance, Sweden performs above the EU average, with 13.68% of its SMEs trading with countries outside the ESM, on the other hand, for instance Greece performs below the EU average at 6.85%. The internationalisation data available from the SBA fact sheets will form the basis of analysis in this thesis. Generally speaking, it can be observed and interpreted from above data on internationalization, that despite GE efforts to open up foreign external markets for trade and investment, EU based SMEs are largely unable or unwilling to explore these opportunities, with certain visible variations between countries which embrace these opportunities more successfully.

The above puzzle could be explained by existence of various barriers that inhibit SME internationalisation, analysis of these at the domestic level of Sweden and Greece will be examined in the thesis, however it is worth to briefly outline these barriers at the European level as identified by the EU. European Commission (2010), in its survey on EU based SMEs, identified main barriers to SME internationalisation as internal (within companies) and external (business environment). Internal aspects related to price and quality of product/service, lack of skilled staff, and possible language barrier. External aspects relate to the lack of several components such as : finance, public support, adequate information, as well as high costs of transport and delivery, laws, regulations and tariffs in external markets. In order to overcome these barriers, various support mechanisms and packages are identified by the EU. Eurobarometer (2015) survey exhibits that EU based SMEs demand for their support: most importantly the subsidies, grants and low interest loans, as well as tax incentives and help with finding business partners abroad. In addition to more financial support for SMEs, European Commission (2014) also turn special attention to networks and clusters in form of support or cooperation networks, where SMEs can benefit from contacts, connections, partnerships, knowledge, skills and advise.

In summary, this section has outlined the key aims and objectives of EU's agendas on trade and competitiveness . Crucially, from the point of the view of the research question and the empirical puzzle tackled in this thesis, it has been highlighted that both of these agendas are interrelated. Essentially, the GE focuses not only on exports of European firms, but also it has an internal dimension which focuses on the competitiveness of EU member states and their firms, as a result making connection with the Lisbon/Europe 2020 agendas. Following this finding, the empirical analysis in chapters 3-5, will analyse how the domestic setting in Sweden and Greece (with its conduciveness towards competitiveness) shaped and affected the export performance of domestic SMEs, by investigating the mechanisms through which this occurs and how these are interconnected together.

3.2 Introduction to Political Economy of Greece and Sweden.

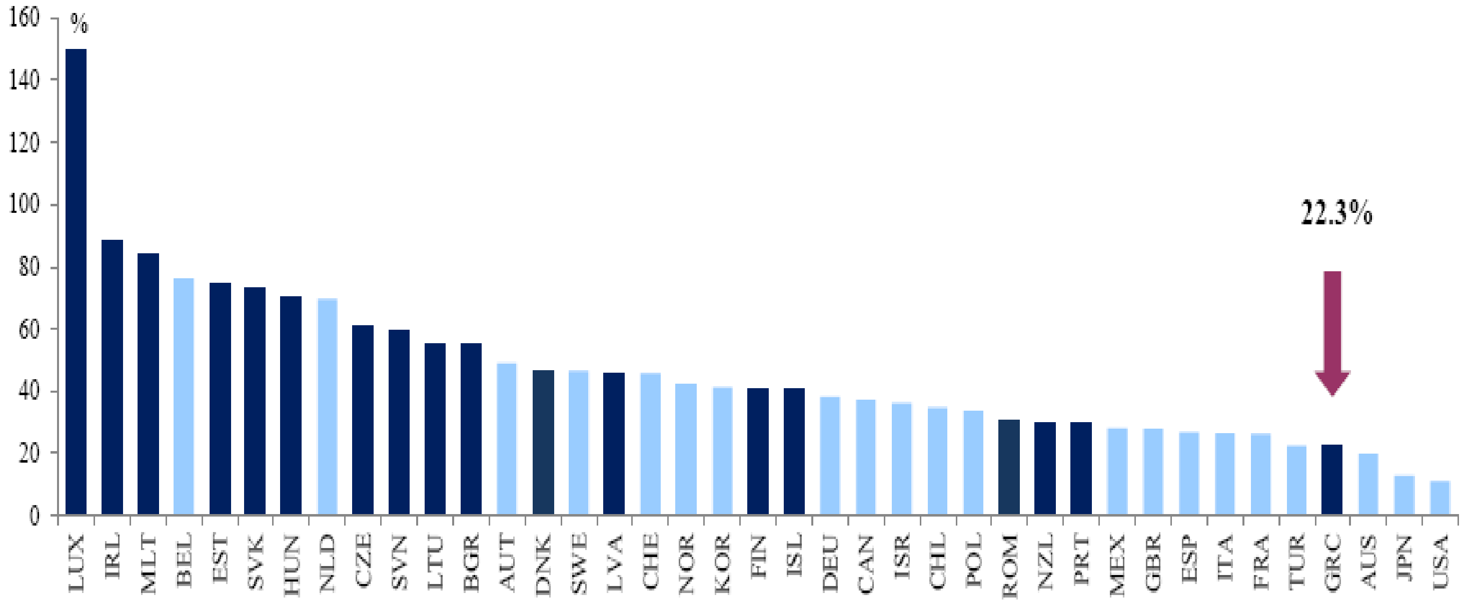
Introduction

The second part of chapter 2, provides a crucial scene setting for the subsequent empirical chapters (3,4 and 5), by providing essential background to understand the two selected case studies. In essence, it sheds light into key political economy dimensions of relevance to SME activities in Greece and Sweden. This includes sub sections on historical and contemporary foundations of these two political economies, sub sections on exporting activities and SMEs in Greece and Sweden as well as their positioning within GVCs and finally sub sections on specific issues relevant to both countries' capitalist models.

3.2.1 Historical and Contemporary Background of the Greek political economy

One of the Greek political economy themes of relevance to this doctoral project is the closed nature of the Greek economy. The post World War II economic model of Greece entailed only lukewarm commitment to free trade as the model was rather oriented around import substitution industrialisation (Pagoulatos, 2003). One of the central features of the Greek economic model between 1945 and 1970 that period was domestic interventionism based on state subsidies, public procurement, selective import substitution and capital controls (Pagoulatos, 2003). Following the fall of Bretton Woods in the early 1970s, Greece experienced economic turbulence and pursued austerity measures to address the balance of payments deficit (Karagiannis and Kondeas, 2012). Eventually, the Greek post World War II economic model build upon state interventionism and selective protectionism, declined following Greece's entry into the European Economic Community (EEC) in 1981 which was associated with integration to the common market (Christodoulakis, 2015). Importantly, the Greek membership in the EU, did not reorient the inward and closed nature of the Greek economy, the historical path dependency was still existent. Böwer et al (2014) note that Greece continued to be a closed economy, with the lowest export to GDP ratio in the EU, and among the lowest in the OECD group, this is illustrated in the figure 1 below, with the purple arrow pointing to Greece.

Figure 1: Average export to GDP ratio, 1995-2012, EU and OECD Countries.



Note: Countries with average real GDP below median are shaded in dark. Sources: OECD, Eurostat.

Vertical Axis – export to GDP ratio.
Horizontal Axis- country

Source: Böwer (2014) page 4.

In the period which led to the Greek crisis and its three bailouts, the problems of the Greek export sector were fuelled by eroding competitiveness of Greece. Between 1999 and 2010, the general unit labour costs increased by 10% (Christodoulakis, 2015). The strategy of the bailouts to Greece provided by the Troika (International Monetary Fund/IMF, European Commission/EC and the European Central Bank/ECB), was to turn Greece into a more open and export driven economy based on 'internal devaluation', meaning reducing wages to enhance competitiveness of Greek firms and their products (Mitsopoulos and Pelagidis, 2014). Despite a substantial cut of unit labour costs, as much as 22% cut in private sector wages by 2012 (Mantalos, 2015), there was not much revival in exports. According to Mitsopoulos and Pelagidis (2014), the potential for Troika's success in turning Greece into an open export led growth economy was limited at the very start, as bailouts only focused on embracing competitiveness based on wage cuts. This however was not possible as the wages in the Greek private sector were already at the internationally competitive levels, on the other hand, the country stood out in terms of potential to achieve competitiveness by the reduction of red tape, and improvements in the business environment (Mitsopoulos and Pelagidis, 2014). Similarly, Böwer et al (2014) argued that the lack of business conducive environment in the institutional terms (e.g cost of doing business) were one of the main reasons behind weak trade performance of Greece. The dimensions of the Greek business environment which did not allow for the embrace of export driven growth in Greece, will be analysed in depth during chapter 3.

Another Greek political economy theme of relevance is concerned with the changing patterns in Greece in relation to debt, consumption and finance allocation. The period from 1980 to 1993 was crucial for the rise of government debt, as it expanded from 23% (debt to GDP ratio) to around 95%, reaching astonishing 175% in 2013 (Mantalos, 2015). Crucially, during 1990s and 2000s, money from the growing debt were not sufficiently invested into domestic production, industry, or export sector and SMEs. As put by Mantalos (2015), instead there was a rise of import based consumption (Greeks consuming foreign products rather than domestic products from e.g Greek SMEs) and the rise of non-tradable sector (i.e. housing construction). Here, it should be noted that export led growth by other countries (which resulted in import based consumption in Greece) does not pose a structural barrier to Greece; the key here is- competitiveness, and an ability to win competition by Greek SMEs by offering best products at best prices. These patterns in the Greek economy were underpinned by changes in domestic finance and credit allocation in Greece exemplified by financial liberalisation of the mid 1980s and the 1990s.

The post second world war Greek financial system was placed under a category of state directed, bank based/credit-based financial system (Zysman 1983). It was part of the development oriented financial interventionism principle which enhanced state's objectives. Essentially, finance was removed from 'unproductive' sectors such as consumption, import and domestic trade, as well as housing, and instead directed towards infant industries, smaller manufacturing firms, and after 1960s it also supported export sector with generous credit and other subsidies (Pagoulatos, 2014). The Greek financial liberalisation and deregulation of the mid 1980s and 1990s was state directed with an aim to achieve disinflation and adjust the domestic Greek system towards European Single Market and later the European Monetary Union (EMU) requirements. One of the opponents of these reforms were the Greek SMEs, as they were seeking to maintain traditional finance regime which was favourable to them, but eventually financial reforms affected the SME finance regime in the early 1990s (Pagoulatos, 2003). The changes also affected the Greek export sector in general, with gradual decline and final abolition of the special interest rates for export and the so called 'pre-financing of exports' during 1980s. In order to address the potential losses, the Greek governments were committed to providing export insurance, expanding export support system, and using export subsidies directly from the state budget, balancing on the margins of EC's acceptability (Pagoulatos, 2003).

The financial liberalisation in Greece, resulted in visible changes in the Greek political economy starting in the 1990s and continuing in the 2000s. Financial resources were to some extent removed from productive sectors (manufacturing, SMEs, agriculture etc) and directed towards consumer credit, mortgage and housing construction; making Greece vulnerable when the 2008 financial crisis arrived (Pagoulatos, 2014). The stock of mortgage and consumer lending increased from 10% in 1988 to 24% in 1998, the trend continued upward trajectory and reached 49% in 2008 (Mantalos, 2015). This enhanced a credit driven, demand side growth which was of political convenience for the government. This combined with low interest rates delivered a relatively effortless rapid prosperity prior to the crisis, with Greek GDP growing at above 4% on average between 2000-2007 (Ozturk and Sozdemir, 2015), nevertheless with avoidance of required structural reforms. On the opposite side of the spectrum, there was a downward trend in credit allocation towards private sector industries (decline from 25.6% in 1994 to 9.7% in 2012) and in the trade sector (decline from 17.3% in 1994 to 9.7% in 2012), with agricultural sector also hit with major credit reductions (Pagoulatos, 2014). These finance allocation shifts from traded to non traded sectors of the economy, were exemplified through growing current account deficits, undermining Greece's competitiveness and leaving the economy at the precarious position when the crisis hit post 2008 (Pagoulatos, 2014).

The final Greek political economy theme of relevance to this thesis is the external dependence of the Greek economy, examining this dimension is important to conceptualise Greece as the DME type of VoC (as outlined in chapter 1- see section 1.2.2). Greece's external dependency is manifested in various forms. In the most classical sense, Greek economy exhibited dependence on external financing (i.e debt). As pointed out by Reinhart and Trebesch (2015), Greece defaulted 4 times on its external creditors since independence in 1829 and the cycles of external debt and dependence are intrinsic to Greece. Reinhart and Trebesch (2015) argue that dependency on external financing and external debt with inability to turn into sustainable long term domestic sources of finance is one of the forms of dependency of the Greek capitalist model. In terms of contemporary factors which led to the over-indebtedness of Greece in the context of its current crisis, Kotios et al (2017) argue that shadow economy and tax evasion led to the loss of revenue for Greek governments and hence contributed to their reliance on external borrowing (this thesis will further examine these factors in chapter 4). However, as the main reason for Greece's over-indebtedness, Kotios et al (2017) mention the disproportionally high expenditure on social security, especially pensions. For instance, state pension subsidies in 2000 were equivalent to €4.8 billion (3.3% of GDP) and have grown to €17 billion (7.2% of GDP) in 2009 (Kotios et al, 2017). This general social security overspending in Greece can be linked to state capture and clientelist and rent seeking features of its capitalist model (these features will be further elaborated in the final section on Greece below, and emphasized generally in this thesis).

In the wake of the Eurozone crisis, other forms of dependency became visible. Firstly, and most fundamentally, following Greece's entry into the Eurozone, Greece lacked a sovereign currency which could be devalued during its current crisis to partly compensate for its lack of institutional and structural competitiveness (Hall, 2012). Furthermore, operating within a common monetary regime, entailed external dependence on the monetary actions of the ECB e.g its setting of interest rates. In fact, it needs to be noted that prior to Greece's crisis, the ECB's interest rates policy was even more conducive to perpetuate the cycle of debt accumulation for Greece due to higher inflation in Greece compared to the Northern European counterparts, which reduced the real cost of borrowing in Greece even further (Hall, 2012). This illustrates how this Eurozone type of dependency connects to the above mentioned over-indebtedness. Eventually, in the period post 2010, Greece, has been offered some debt relief, however large debt overhang remained with negative impact on governmental actions (Ioannides, 2015). This is associated with Eurozone type of dependency i.e inability to default, as Eurozone rules do not allow for a member state unilateral default as it would threaten the existence of the entire single currency zone. It needs to be noted at this stage that this thesis does not intend to judge whether Greece's decision to remain in the Eurozone was good or not. Instead, the above outline provides a broader context necessary to understand Greece's conceptualisation as a DME type of capitalist model.

Additionally, Greece's dependency within the Eurozone dimension, can be understood by placing emphasis on the ECB and German banks which utilised Greece's debt problems to materialise their own agendas. It needs to be remembered that the Greek crisis was not caused by Greek banking sector excesses (to such an extent as in e.g Ireland, or Spain), instead Greece embraced a more conservative policy stance i.e. less exposure to 'toxic' products and financial techniques, as well as limited integration of its banking sector to international financial markets (Pagoulatos, 2014). Greek crisis needs to be understood in the context of current account and macroeconomic imbalances between the core and periphery Eurozone countries and the forms of dependency it creates. Thompson (2013) highlighted that Eurozone problems were not only a crisis of debtors in the periphery but also a crisis of creditors in the core Eurozone countries such as Germany and the eventual bailout of Greece supported by Germany was an act of protecting German banks from defaulting. The German banks became significantly leveraged and their balance sheets were in precarious position, hence the involvement of Germany in Greek and Eurozone crisis illustrates an attempt to 'Europeanise' the burdens of German banks (Thompson, 2013). Thus, this forms a situation of dependency of Greece in relation to the role of credit and power politics of Germany.

The final aspect of dependency in the context of Greek bailout is the complexity it creates for business operations especially for SMEs. The crisis negatively impacted on sectors that rely most on bank credit, with Greek market interest rates substantially higher than its equivalents in other Eurozone countries, leading to substantial credit costs for enterprises (Pagoulatos, 2014). As argued by Lacina and Vavřina (2013), during the crisis Greek SMEs faced both demand and supply side pressures. On the demand side, the recession effects and the subsequent austerity negatively impacted on consumer demand hence causing problems for SME sales and on the supply side the troubles of Greek banks negatively impacted on SMEs which are credit dependent (Lacina and Vavřina, 2013). The credit availability aspects will be analysed further in chapter 3.

3.2.2 Export composition of the Greek economy , the position of Greece in global value chains and internationalisation of Greek SMEs.

In terms of its trade composition, Greece ranks above the OECD average in terms of domestic value added content of exports, which portrays Greece's specialisation in exporting services, mainly transport and tourism related services (Böwer et al, 2014). It is also worth to consider the technological content of the Greek export composition. The table 5 below (OECD, 2013) illustrates the lack of significant growth in higher technology content, meanwhile more substantial export increases are visible for agricultural goods and low-medium technology categories.

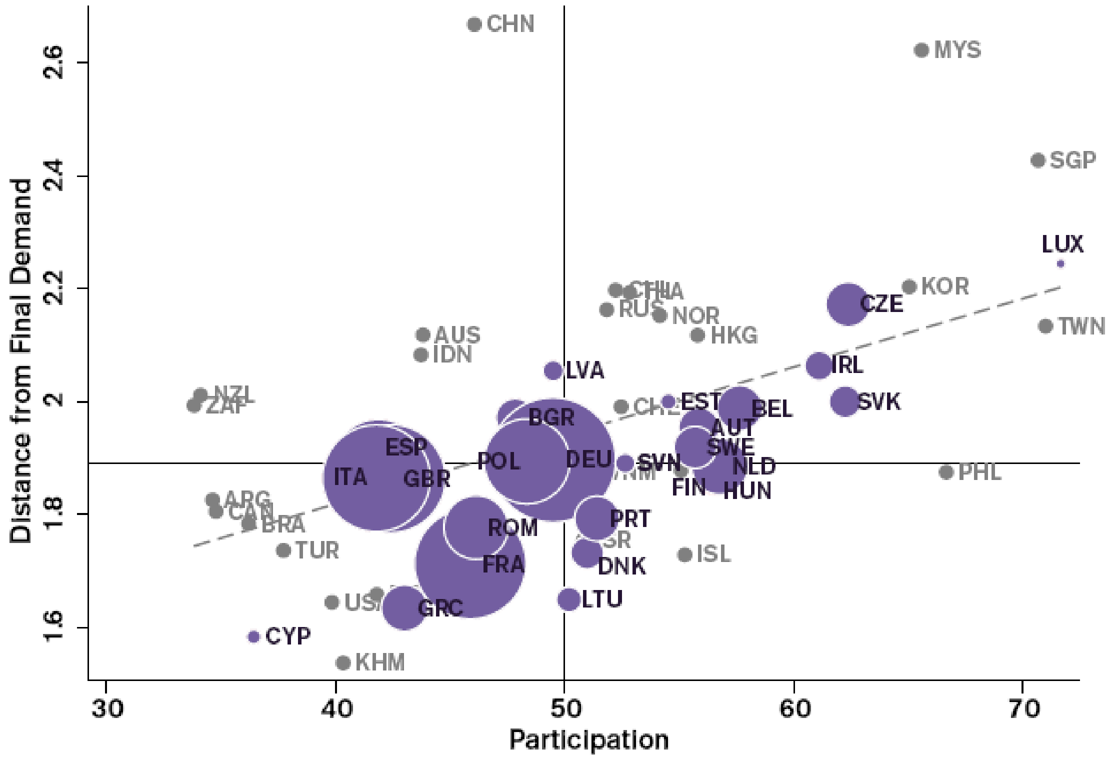
Table 5: Technological Content of Greek exports

	1990	**2000**	**2006**	**2011**
Agriculture	1.17	0.96	0.75	0.87
High-technology Industries	0.15	0.69	0.8	0.83
Medium- high technology industries	0.6	1.03	1.19	1.26
Medium-low-technology industries	2.23	2.56	2.62	5.21
Low-technology industries	4.21	2.95	2.15	2.18
ICT Manufacturers	0.12	0.47	0.42	0.37

Source: OECD, 2013

The technological content of Greece's exports moves us into a more sophisticated level of trade discussion, namely the position of Greece in Global Value Chains (GVCs). The following figure 2, produced by OECD (in Van Der Marel, 2015) exhibits the positioning of countries on the GVC map, Greece (with 'GRC' symbol) is located in the bottom left corner.

Figure 2: Where are countries positioned on the GVC Map?



Vertical Axis –Distance from Final Demand within GVC
Horizontal Axis- Participation in GVC

Source: Van Der Marel (2015), page 4.

Van der Marel (2015) highlights the general trend which is that bigger countries have lower participation rates and smaller distances to final demand, however it can be observed that Greece as a small country does not fit into this trend, as it is located with larger markets (such as USA, France, Brazil, Italy, the UK) in the bottom left corner. Van der Marel (2015) clarifies Greece's position through consideration of its export structure, which is underpinned by specialisation in the tourism sector which is placed at the end of the supply chain, explaining Greece's closer distance to the final demand on the vertical axis. As defined by Van der Marel (2015), the closer the country is to the final demand (lesser production stages needed for a product to reach a customer), the more 'downstream' the GVC activities of such country are. These downstream activities may for instance include post sales customer services or assembly of processed products etc. Greek positioning also portrays low participation rates in GVCs (horizontal axis). The high participation rates indicate deeper involvement of a country in terms of backward linkages (i.e. trading many intermediate inputs imported from abroad) and forward linkages (trading intermediate inputs produced domestically and exported for another country's exports). The low participation of Greece in GVCs in terms of backward and forward linkages is shown in more detail below in figure 3 and 4, provided by OECD (2013b).

Figure 3: Average Percentage Change of the participation of Greece and other countries in global value chains (% share in total gross exports), 1995-2011.

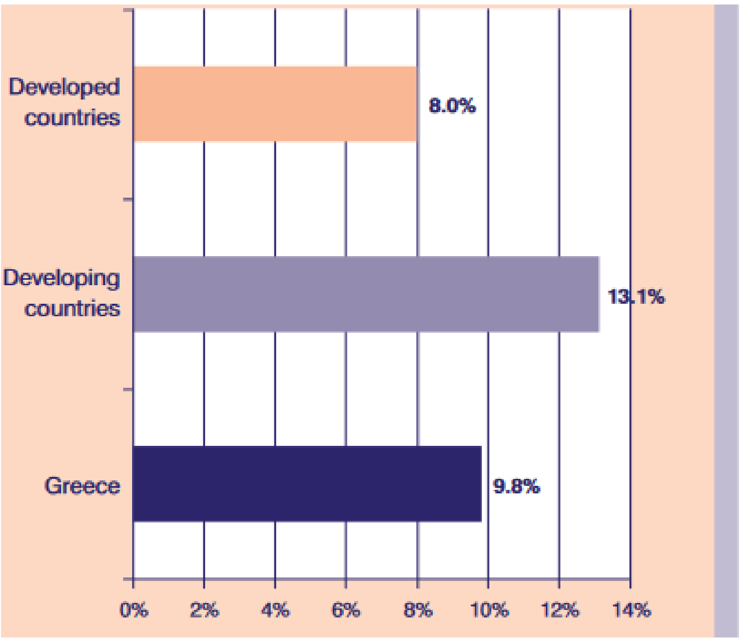
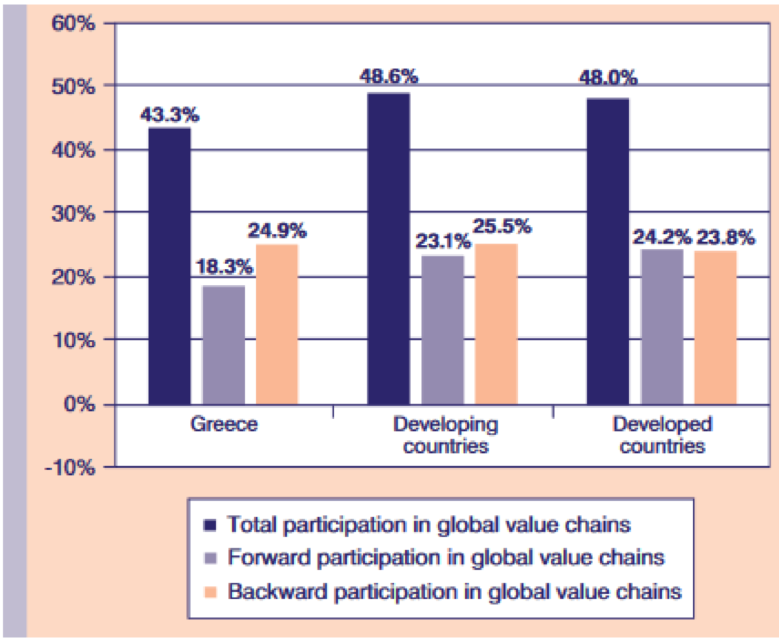


Figure 4: Indices of the participation of Greece and other countries in global value chains (% share in total gross exports) 2011



Source: Trade in Value Added and Global Value Chains, OECD. (OECD, 2013b).

In figure 3 it can be seen that during 1995-2011, Greece increased its participation in GVCs by 9.8% (slightly more than developed countries but less than developing countries). Meanwhile, figure 4 portrays that the total Greek participation in GVCs in 2011, is lower than average participation of developed and developing countries, with backward linkages dominating over forward linkages in Greece. Tsekeris and Skintzi (2017) note that in 2011, the Greek sectors with the most forward linkages in GVCs were: transport and storage, wholesale and retail trade, electricity, gas and water.

In terms of SMEs (the subject of analysis in this thesis), table 6 presents the significance of SMEs in the Greek economy, showing their numbers, people employed and value added. SMEs, as table 6 exhibits, represent 99.9% of all businesses, providing almost 87% of all employment and generate 73.2% of total value added, it is worth to notice that all of these figures are higher compared to the EU averages (SBA, 2017).

Table 6: SMEs in the Greek Economy

Class Size	Number of Enterprises			Number of Persons Employed			Value Added		
	Greece		EU-28	Greece		EU-28	Greece		EU-28
	Number	**Share**	**Share**	**Number**	**Share**	**Share**	**Billion€**	**Share**	**Share**
Micro	678 816	96.2 %	93.0%	1 288 988	57.3 %	29.8 %	17.0	34.3 %	20.9 %
Small	23 829	3.4 %	5.8 %	412 490	18.3 %	20.0 %	9.5	19.2 %	17.8 %
Medium Sized	2 684	0.4 %	0.9 %	254 639	11.3 %	16.7 %	9.8	19.7 %	18.2 %
SMEs	705 329	99.9 %	99.8 %	1 956 117	86.9 %	66.6 %	36.3	73.2 %	56.8 %
Large	388	0.1 %	0.2 %	294 094	13.1 %	33.4 %	13.3	26.8 %	43.2 %
Total	**705 717**	**100.0 %**	**100.0 %**	2 250 211	100.0 %	100.0 %	49.6	100.0 %	100.0 %

Source: SBA Fact Sheet, Greece 2017.

Given that Greece was hit hard by the 2008 and subsequent Eurozone crisis, Greek SMEs struggled to recover; compared to 2008, in 2016 value added and employment of SMEs in Greece was 34% and 18.4% lower respectively (SBA, 2017). The SMEs in the manufacturing sector suffered strongly, between 2008-2015, added value and employment fell by 41% and 32% respectively (SBA, 2016). Although there were some signs of overall recovery in the recent period, for instance, Greek SMEs employment increased overall by 2.4 % in 2015-2016 (SBA, 2017). The economic sectors in which Greek SMEs are most prevalent; include: wholesale and retail trade (as the sector most dominated by SMEs) followed by manufacturing, accommodation and food services, construction, information and communication, and telecommunications (SBA, 2016).

In terms of exports of Greek firms generally, table 7 below exhibits Greek merchandise exports to the rest of the world. It can be seen that these export values expressed in dollars are relatively small (as will be compared with Swedish export values in table 12 shown later on). Here, in terms of Greek figures, despite various competitiveness and export- oriented reforms, there was a lack of desirably high and permanent increase in Greek merchandise exports, as only 2012-2014 figures surpassed Greece’s 2008 value in a substantial way, then falling again in 2015-2016 (UN Comtrade, 2020). Although, it needs to be acknowledged, that since 2018 (which is beyond the investigated period of this thesis) the promising increasing trend in merchandise export value was evident. These post 2018 statistics were similar to the 2012-2014 figures and occasionally even surpassed them (UN Comtrade, 2020). Hence, it can be interpreted, that, with time, the export-oriented reforms started to deliver desired fruits, although it remains to be seen if this promising trend will be sustained in the future and if it will become permanent. This thesis will however shed light into why Greece's exports did not sufficiently pick up during the investigated 2007-2017 period, despite various competitiveness reforms.

Table 7

Merchandise Exports from Greece to the Rest of the World (Annually)	**Export Value (US$)**
2007	23.5 bln
2008	31.1 bln
2009	24.2 bln
2010	27.6 bln
2011	33.3 bln
2012	35.2 bln
2013	36.3 bln
2014	35.8 bln
2015	28.3 bln
2016	27.8 bln
2017	32.2 bln

Source: UN Comtrade Database, ITSY Volume 1, 2020.

In terms of exports of SMEs per se, Greek SMEs have been consistently performing below the EU average, both in terms of exports to the EU and beyond (outside) EU. On average, between 2011-2016, around 6% of Greek SMEs (% of SMEs in industry) exported beyond EU, compared to the EU average of almost 10% (SBA, 2014-2019). The disparity was larger in terms of exports to the EU, with on average between 5-6% of Greek SMEs (% of SMEs in industry) exported to other EU countries, but the EU average was substantially higher between 16-17% (SBAs, 2014-2019). See comparative tables 8 and 9 below (which include Swedish SMEs too) for further details.

Table 8

SME exports to the EU (% of SMEs in industry) Annually	**Greece**	**Sweden**	**EU Average**
2011	9.5%	14.67%	13.89%
2012	5.7%	14.38%	16.04%
2013	6.05%	14.82%	17.3%
2014	5.99%	14.82%	17.12%
2015	4.93%	14.26%	16.57%
2016	4.93%	13.72%	16.56%

Source: SBA Fact Sheets (2014-2019).

Table 9

SME exports outside the EU (% of SMEs in industry) Annually	**Greece**	**Sweden**	**EU Average**
2011	5.46%	13.66%	9.68%
2012	6.26%	13.59%	10.65%
2013	6.85%	13.68%	9.95%
2014	7.31%	13.68%	9.96%
2015	6.01%	13.36%	9.69%
2016	6.19%	12.88%	9.8%

Source: SBA Fact Sheets (2014-2019)

3.2.3 Political economy of clientelism, rent seeking, and interest mediation in the Greek variety of capitalism.

Chapter 1 highlighted that the Greek capitalist model is conceptualised in this thesis as a Dependent Market Economy (DME), underpinned by the notion of 'situations of dependency' (see section 1.2.2). This chapter, whilst outlining the historical and contemporary background of the Greek political economy, shed light into the nature and empirical examples of Greece's dependency. It was argued that clientelism and rent seeking (as intrinsic features of Greek VoC) were related to Greece's over-indebtedness (leading to external dependency), paragraph below further unravels these concepts.

As argued by Michas (2011), clientelism and rent seeking have been the core features of Greece since foundation of the Greek state in the 19th century. Whilst brief exceptions may include the periods such as dictatorship of military junta, following the restoration of democracy in 1974, the bi-partisan political system consolidated and resumed the practice of clientelism which was utilised to win voters and supporters (Lyrintzis 2005). Trantidis (2013) conceptualises clientelism as a political economy phenomenon, which leads to clientelist bias in (economic) policy making, as the policies are designed to protect the clientelist supply (i.e specific groups of voters). Thomadakis (2015) highlights that the Greek political economy post 1974 was underpinned by 'macroeconomic populism' in terms of its redistribution and social policy. This macroeconomic populism under a clientelist system was however underpinned by debt, deficits and currency devaluation. In general, as argued by Michas (2011), clientelist and rent seeking principles in Greece resulted with disproportionally large Greek state and public bureaucracy, as well as statism (a conception of state as an omnipresent actor in the economy). These principles led to negative implications to Greek business too, as they resulted in corruption, regulations limiting competition and discouraged wealth creation (Michas, 2011). The operations of Greek SMEs must hence be recognized within this background context of clientelism and rent seeking. Following entry into the Eurozone, as argued by Moutos and Pechlivanos (2015), the apparent Europeanisation of the national institutions (i.e transformation of them into EU standards) overshadowed the embedded clientelist networks which underpinned democratization of rent seeking.

In terms of tripartite relations (between government, trade unions, and employers) which are of interest to comparative capitalisms, the Greek case is problematic. In the post second world war, Greece was described as a 'state corporatist' model, with the state being responsible for controlling organised interests. However post 1974, the fragmented and rent seeking nature of interest mediation in the clientelist system was predominant. Hence, 'disjointed corporatism' as elaborated by Lavdas (1997) is one of the terms used to conceptualise Greece. Lavdas (1997, p17) defines disjointed corporatism as 'a combination of a set of corporatist organisational features and a prevailing political modality that lacks diffuse reciprocity and remains incapable of brokering social pacts'. Essentially, in a disjointed corporatist system, interest mediation becomes difficult to manage due to problematic structuring of conflict where coordination and consensus are difficult to reach, as antagonism and mistrust are predominant features of social dialogue (Featherstone, 2016). One of the implications for interest mediation in a disjointed version of Greek corporatism underpinned by clientelism, was the chaotic way of uploading preferences to the government. Essentially, through clientelist channels, certain groups enjoyed privileged access to the government, which led to over-regulated labour market (at least prior to the Greek crisis) with an excessive protection for those who have jobs (especially in public sector) with a lack of attention towards the unemployed (Papadimitriou, 2003). Another issue which complicates structure of social dialogue and interest mediation in Greece, is the fact that internal representation in both union and employer's federations is biased towards certain groups. In the case of unions it is skewed towards public sector employees and in the employers' federations it is skewed towards large firms (Featherstone and Papadimitriou, 2008). This leaves SMEs at potentially precarious position in terms of uploading their interests into the government, as there is no guarantee that employer's federations will sufficiently lobby for the interests of SMEs to be reflected in policy making. Ultimately, prior to contemporary crisis and Troika's intervention, given that some sectors of the Greek economy, still relied on government protection in various ways, due to different access to the government (through clientielist networks), the government did not receive a broad overview of issues, which led to an anti-developmental attitude with emphasis on protection of existing arrangements. Needless to say, in the context of disjointed corporatism, Troika's suggested reforms were expected to fall short of desired impact as they were externally imposed constraining options for domestic social dialogue even further (Featherstone, 2016).

3.2.4 Historical and contemporary background of the Swedish political economy

One of the Swedish political economy themes of relevance to this thesis, is the open nature of the Swedish economy enhanced by strong institutional underpinnings. Back in the 19th century Sweden was a poor country, and the profound changes appeared from 1870-1970 when Sweden moved from an agrarian nation to the 4th richest country in terms of GDP per capita (Fölster, 2014). After a brief reliance on protectionism in its early development years post 1870 (Chang, 2003), Sweden quickly shifted its attention to openness and free trade, relying on export driven growth. Given the small size of the Swedish market, its firms had to look outwards in terms of exporting abroad. Similarly, the Swedish market was open to competition from foreign companies, hence the idea of free trade was not politically controversial topic in Sweden throughout the 20th and contemporary century (Jakobsson, 2007).

Between 1970-1994, which was the crisis period for Sweden (see below), the country had a small current account deficit. However, exports proved to be crucial during the 1990s recovery, increasing substantially as a share of GDP, reaching 45% at the end of 1990s compared to only 28% in 1992 (Viana and Cunha, 2016). The graph 1 previously presented for the case of Greece, illustrates that Swedish export to GDP ratio was strong between 1995-2012, averaging around 45% (Böwer et al, 2014), which is one of the largest among developed industrialised countries (Jakobsson, 2007). It should be also pointed out that since 1994 until now, Sweden has been enjoying current account surpluses, averaging 4% of GDP, which is remarkable throughout the whole Swedish history since the 19th century (Ems & Gylfason et al, 2018), although with a declining tendency (Norland, 2019).

The open nature of the Swedish economy and robust export performance is however enhanced by strong institutional fundamentals. The export driven growth for which Sweden was known during the 20th and the 21st century was underpinned by well-functioning capitalist institutional dimensions such as property rights, very low corruption, lack of red tape, efficient legal system, rule of law, stable monetary policy and well organised public bureaucracy (Bergh, 2014). Furthermore, during many parts of Swedish history, and certainly since the 1990s reforms, the Swedish economy was embedded within favourable institutional dimensions of the business environment. This is exemplified in strong performance of Sweden in the competitiveness, governance and doing business rankings (Ketels, 2012). These institutional dimensions of the Swedish business environment will be analysed in chapter 3.

Another aspect of the Swedish political economy of relevance to this thesis, is the successful structural change away from Keynesianism towards a Swedish variety of a free market economy, which was underpinned by successful reforms of the 1990s, and subsequently resulted in the period of stability throughout 2000s. Following Sweden's golden decades of the 1950s and 1960s, characterised by strong growth rates, full employment and price stability (Viana and Cunha, 2016), the country began to experience problems in the 1970s exemplified by increasing labour costs, highly regulated labour market, overly extensive welfare state, failed subsidisations of industries and high marginal tax rates (Bergh, 2014). The 1980s only deepened the decline of the Swedish model, which was further undermined by the real estate bubble which culminated in a speculative attack and the 1991-1993 financial crisis in Sweden (Jonung, 2009).

In the wake of crisis, Sweden firstly had to deal with its banking problems; to resolve the crisis, the so called ‘blanket guarantee’ of bank liabilities was proposed. The government and the opposition united themselves, to guarantee that depositors and other counterparties of the Swedish commercial banks and financial institutions (in which the state was involved) would be shielded from any future losses on their claims, as a result households and enterprises would feel security. Importantly, the move was designed to support the pegged Swedish krona rate and enhance confidence in the solvency of the Swedish commercial banks in the eyes of foreigners. Blanked guarantee proved to be successful in the mentioned regards, it prevented the run on banks and expanded the options for the Swedish Central Bank (Riskbank) to support commercial banks (Jonung, 2009). The Swedish Parliament established Bank Support Authority (the Bankstödsnämnd), an adequate legal and institutional framework which was given open-ended funding, which underpinned the credibility of bank resolution policy. The banks which turned to the Bankstödsnämnd, were helped by minimizing the moral hazard, hence the aim was to save the banks not the owners, as a result public support of bank resolution was achieved given that the owners of banks had to absorb the losses. Since the crisis of the early 1990s, Swedish banks remained robust and stable, also during the 2008 crisis (Jonung, 2009).

Fundamentally, since the crisis of the early 1990s, Sweden embraced a series of reforms which proved to be effective in undertaking a successful structural change of the Swedish model. One of the first related to setting an inflation targeting system with Riksbank focusing solely on price stability, this had a stabilising effect as inflation during 1990s was lowered to 3.2% in comparison to 7.9% from 1980s (OECD, 2015). Another reform, related to fiscal policy, given the significant debt burden which stood at 80% of GDP in 1994, the government could not turn towards expansive spending. Instead, government aimed to be more fiscally responsible, in 1997 it passed a fiscal rule requiring spending surplus enforced by public spending ceiling set by parliament and internal budgeting procedures of each ministry (Fölster, 2014). Fiscal responsibility continued during 2000s, in 2007, Fiscal Policy Council was set up (supported by government and the opposition parties) which is an independent body monitoring fiscal, economic and recently distributional policies of governments by publishing advisory recommendations and forecasts (Jonung, 2014). The fiscal framework proved to be successful as the Swedish debt to GDP ratio decreased to only 30% in 2012 (Fölster, 2014).

Taxation reform implemented in the wake of 1991 crisis proved to be another substantial realm for changes, hailed as the 'tax reform of the century'. In the old system of taxation (i.e. during the Keynesian era) individuals with similar incomes were taxed differently, as taxes on capital income from interest on dividends or savings were higher than on capital gains and also taxes on wages were higher than on benefits, as a result the tax system created disincentives to work and invest. Additionally, Sweden's marginal tax rates were high, and VAT rates varied significantly between different products and services (Fölster, 2014). The 1991 reforms entailed income tax rates reductions for everyone, with 85% of all taxpayers liable for income tax at rates around 30%, and for incomes above certain level, individuals would be subject to 20% national income tax. The reforms were financed by raising and equalizing VAT rates, abolishing certain tax deductions and increasing income tax levels. The reduction of marginal tax rates proved to be successful as it became more profitable to work. Furthermore, corporate income taxes were lowered during 1990s from 50% to 30%, declining further during 2000s, reaching 22% in 2013, additionally wealth tax was abolished (Fölster, 2014).

Swedish reforms did not stop there, the 1990s saw Sweden successfully reorganizing its business sector, which resulted in: removal of barriers to growth for new and productive firms, enabling productive firms to better attract capital and employees and increase in jobs in small firms whilst productivity gains in large firms. The reorganizing of the Swedish business sector was enabled by: the decentralisation of the wage negotiation system (which implied that productive and growing firms found hiring and rewarding productive employees easier), greater openness to inward FDI, previously mentioned taxation reforms (especially lowering corporate taxation rates) and importantly product market reforms (Heyman et al, 2015). During most parts of the 20th century, many product markets in Sweden were public monopolies with small opportunities for new firms to enter these markets. The 1990s entailed product market deregulations, between 1998- 2008 Sweden improved substantially in relation to entrepreneurship exemplified by improvements in licensing and permit systems, simplification of rules and procedures, removal of certain legal barriers and reduced barriers to competition in network sectors and services. The power of Swedish iron triangle (the government, incumbent firms and unions) was reduced due to the product market reforms. These reforms made it easier for new firms to enter industries (reducing the barriers to entry) and made it more difficult for inefficient firms to remain in the product market (Heyman et al, 2015).

The reforms of the 1990s laid the foundation for solid economic performance post new millennium. During 2000-2009, Sweden achieved 2% average growth rates, with unemployment averaging 6.8%, then subsequently during 2010-2014, 2.3% economic growth, unemployment around 8% and inflation around 1%. Sweden also managed to rapidly escape the negative effects of the 2008 crisis. Sweden's prudent fiscal policy prior to the crisis created fiscal space for stimulus measures, which combined with aggressive interest rates cuts, government support to financial system and decision not join the Eurozone which gave flexibility for monetary policy management, all helped to contain the negative spill overs from the 2008 crisis (Lin et al 2014).

3.2.5 Export composition of the Swedish economy , the position of Sweden in global value chains and the internationalisation of Swedish SMEs.

Between 2000 and 2010, the value of Swedish exports have doubled in nominal terms, whereas in relation to GDP, there was an increase in trade volumes from 86% of GDP in 2000 to 94% in 2010 (Statistics Sweden, 2011). In terms of exports of goods and services as a % of Swedish GDP, table 10 below portrays increasing importance of services and declining dynamic in goods exports in Sweden (post 2008 crisis period) which is rather consistent with trends of many other developed countries.

Table 10: Exports of Goods and Services as a % of Swedish GDP

Sweden	**1998**	**2007**	**2016**
Goods	32.9%	37.0%	29.4%
Services	6.6%	11.0%	14.0%
Total	39.5%	48.0%	43.4%

Source: Ferguson and Henrekson, 2018

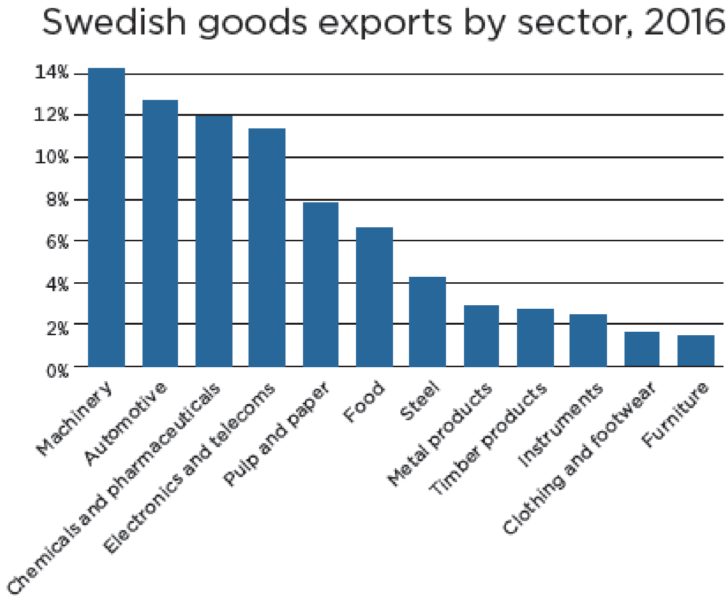
The sectors which are the most dominant in Swedish goods exports, are: machinery, automotive, chemicals/pharmaceuticals and electronics and telecoms, followed by others which can be seen on the right side of figure 5 below (Business Sweden, 2017).

Figure 5

Exports in 2016, current prices USD

Sector	World market	Sweden
Machinery	-2%	-3%
Automotive	2%	13%
Chemicals and pharmaceuticals	-1%	-3%
Electronics and tele-coms	-4%	-3%
Pulp and paper	-2%	-3%
Food	3%	8%
Steel	-11%	-1%
Metal products	-4%	-1%
Timber products	3%	-2%
Instruments	-1%	1%
Clothing and footwear	-4%	2%
Furniture	-2%	-1%
Total	-3%	0%

Stronger performance than world market
Performance in line with world market
Weaker performance than world market



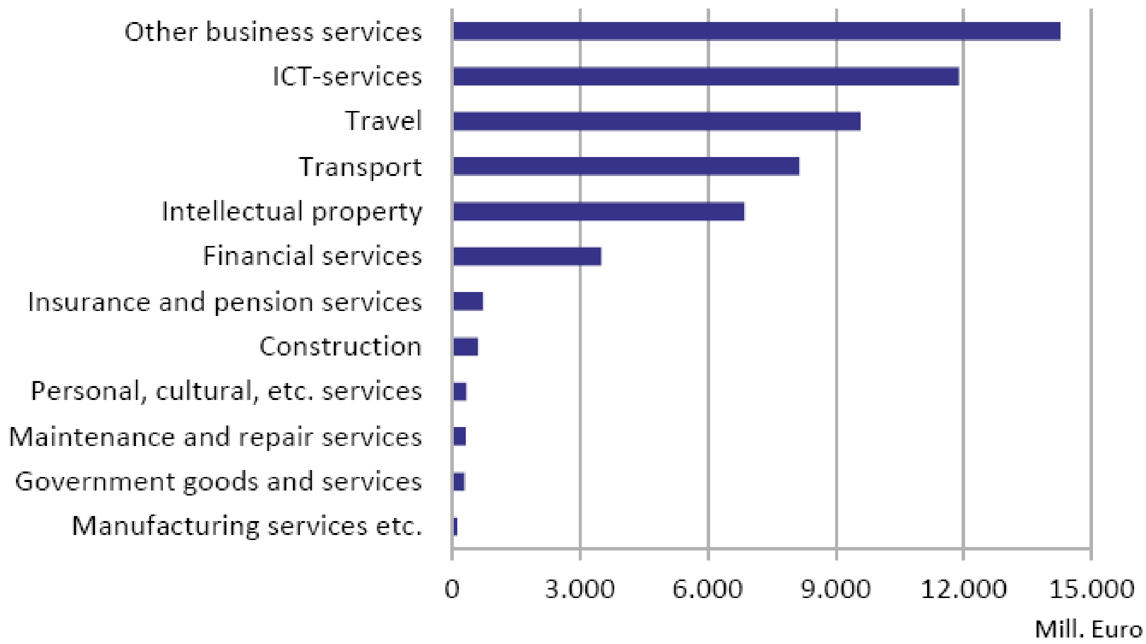
Source: Business Sweden, 2017.

The above figure 5 on the left side presents a table which compares sectoral exports of the world market and of Sweden in 2016. It can be seen that automotive, food, as well as clothes and footwear stand out for Sweden in terms of strong performance. In fact, in the majority of sectors Sweden outperformed the world market, in few sectors such as machinery and electronics Swedish exports matched the world market, with timber products the only one where Sweden lost ground (Business Sweden, 2017). In terms of destinations of Swedish goods exports, as of 2012, Germany and Norway were the main targets, with the UK and the US dropping to lower places, generally the EU region was the main destination for Swedish goods (60%), Scandinavian concentration was also evident (25%), with BRIC countries accounting for 8% (Ketels, 2012).

The importance of services in Swedish exports have increased, between 2010 and 2014, the Swedish service exports increased by 38%, constituting 13% of Sweden's GDP in 2014, the increase during this period was higher than in the EU average (Nordic Council of Ministers, 2016). Slightly more than half of Swedish service exports find destination in other EU member state, with Germany and the UK as leading destinations (Nordic Council of

Ministers, 2016). In terms of dominant Swedish service sectors, figure 6 below illustrates that 4 dominant sectors accounting for 80% of service exports are: ‘other business services’ (includes knowledge intensive industries e.g. R&D services, engineering), ICT services (telecommunications computer and information services), travel and transport (Nordic Council of Ministers, 2016).

Figure 6: Swedish Exports of Services to all destinations (World) by service categories, 2014.

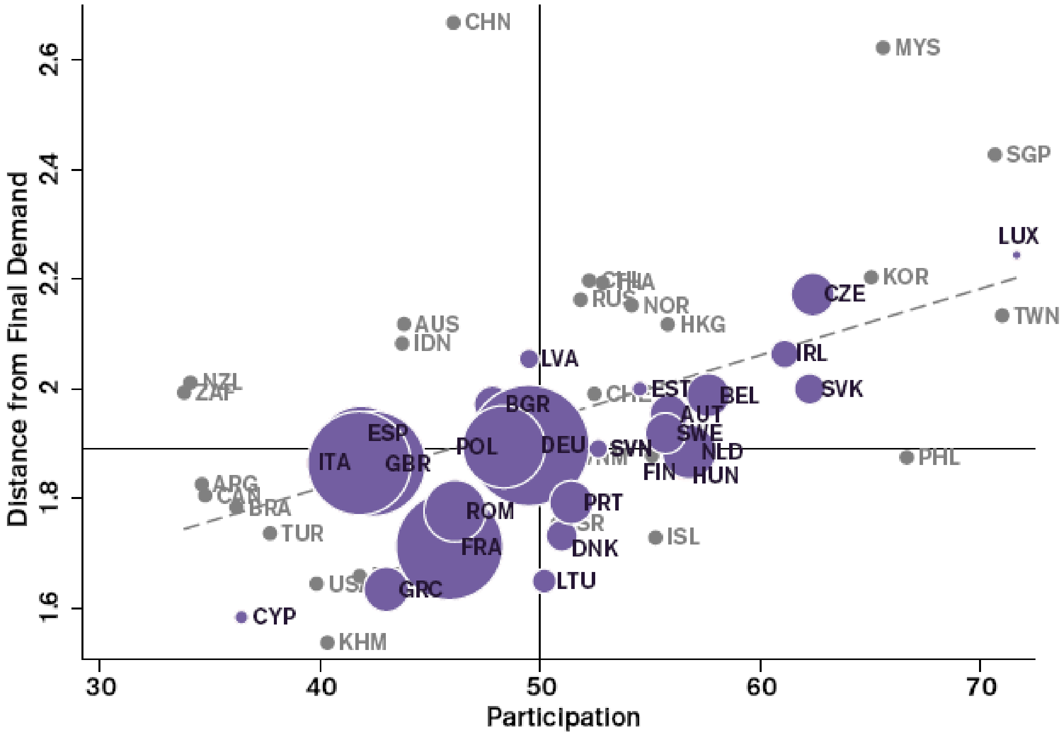


Vertical axis- services sector within the economy
Horizontal axis- value in euros.

Source: Nordic Council of Ministers, 2016.

In terms of position of Sweden in GVCs, Growth Analysis (2016) highlights that Sweden specialises and has a comparative advantage in R&D, sales and marketing, logistics, technology and process development, whereas it does not specialise in core production and assembly activities. Sweden receives around 75% of its GVC income from EU15, followed by 4% from China and 3.6% from NAFTA countries (Growth Analysis, 2016). To get a closer insight into position of Sweden in GVC, it is worth to return to figure 2 used previously to analyse Greece.

Figure 2: Where are countries positioned on the GVC Map?



Vertical Axis –Distance from Final Demand within GVC
Horizontal Axis- Participation in GVC

Source: Van Der Marel (2015), page 4.

Sweden associated with its ‘SWE’ symbol on the map above, is positioned more to the right of the horizontal axis (compared to Greece- GRC). This means that Sweden’s participation rate in GVCs is high, this is supported by OECD (2015) which notes that Sweden is one of the most participatory countries in GVCs out of OECD nations. Sweden is hence participating more in backward and forward linkages compared to Greece. The backward linkages are associated with the fact that domestic export sectors are sourcing inputs from abroad, in Sweden the share of imported inputs raised from 23% in 1995 to 27% in 2010, most intermediate inputs are imported to Sweden from Germany (Growth Analysis, 2016). Sweden also participates largely in forward linkages, meaning that Swedish inputs are incorporated into exports of other countries. It includes mainly Swedish inputs from wholesale and retail trade, transport, telecommunications and business services, as well as Swedish wood, paper, chemicals and basic metals which contribute to third countries’ exports (OECD, 2015). On the vertical axis in graph 2, Sweden is located higher than Greece (a bit further away from final demand). As highlighted by OECD (2015) Sweden successfully combines value creation in both upstream (R&D, product design) and downstream (marketing and customer services) operations. It can be picked from these findings that Sweden has been upgrading within GVCs, which is what OECD (2015) has noted.

In terms of SMEs (the subject of this thesis), table 11 portrays the importance of SMEs in the Swedish economy, highlighting their numbers, people employed and value added. SMEs represent 99.9% of all businesses in Sweden, providing 66.3% of all employment and constitute 60.5% of value added.

Table 11: SMEs in the Swedish Economy

Class Size	Number of Enterprises			Number of Persons Employed			Value Added		
	Sweden		EU-28	Sweden		EU-28	Sweden		EU-28
	Number	**Share**	**Share**	**Number**	**Share**	**Share**	**Billion€**	**Share**	**Share**
Micro	660 134	94.7 %	93.0 %	808 129	25.8 %	29.8 %	51.2	22.3 %	20.9 %
Small	30 839	4.4 %	5.8 %	683 719	21.8 %	20.0 %	44.3	19.3 %	17.8 %
Medium Sized	5 453	0.8 %	0.9 %	588 253	18.7 %	16.7 %	43.6	19.0 %	18.2 %
SMEs	696 426	99.9 %	99.8 %	2 080 101	66.3 %	66.6 %	139.2	60.5 %	56.8 %
Large	1 016	0.1 %	0.2 %	1 057 928	33.7 %	33.4 %	90.8	39.5 %	43.2 %
Total	**697 442**	**100.0 %**	**100.0 %**	**3 138 029**	**100.0 %**	**100.0 %**	**230.0**	**100.0 %**	**100.0 %**

Source: SBA Fact Sheet, Sweden 2017.

In Sweden SMEs experienced strong performance between 2012-2016 compared to large firms. The SME value added increased by 13% compared to 3.8% for large firms, and SME employment grew by 5.4% compared to 1.2% for large firms (SBA, 2017). Similarly to the rest of EU, in Sweden the main SME sectors accounting for more than a third of employment and value added are: wholesale and retail trade and manufacturing. The positive Swedish SME performance between 2012-2016, was driven by specific sectors such as accommodation and food services, construction, real estate and professional, scientific and technical activities sector (SBA, 2017).

In terms of exports of Swedish firms in general, table 12 illustrates merchandise exports from Sweden to the rest of the world. It can be seen that these export values substantially exceed the Greek figures previously depicted in table 7. This presents Sweden as a significantly stronger export power than Greece. However, a declining tendency was visible for Swedish merchandise exports since 2012, with some recovery in 2017 export values. Here, whilst looking at the period beyond the investigated time frame of this thesis, it needs to be acknowledged, that, recovery in export values continued since 2018, with values closer to the 2007 figure.

Table 12

Merchandise Exports from Sweden to the Rest of the World (Annually)	**Export Value (US$)**
2007	169.1bln
2008	183.9bln
2009	131.1bln
2010	158.4bln
2011	186.9bln
2012	172.4bln
2013	167.5bln
2014	164.7bln
2015	140bln
2016	139.3bln
2017	153bln

Source: UN Comtrade Database, ITSY Volume 1, 2020.

In relation to exports of SMEs per se, Sweden visibly outperformed the EU average on exporting beyond/outside the EU, however its figures for exports to the EU, were slightly below the EU averages. In terms of Swedish SMEs exports beyond the EU (% of SMEs in industry) between 2011-2016, around 13% of Swedish SMEs exported beyond the EU compared to the EU average of almost 10% (SBA, 2014-2019). By contrast, Swedish SMEs intra-EU exports (% of SMEs in industry) between 2011-2016 were around 14%, compared to 16-17% of the EU average (SBA, 2014-2019). For further details, see comparative tables 8 and 9 below which contain Greek figures too (used previously in this chapter).

Table 8

SME exports to the EU (% of SMEs in industry) Annually	**Greece**	**Sweden**	**EU Average**
2011	9.5%	14.67%	13.89%
2012	5.7%	14.38%	16.04%
2013	6.05%	14.82%	17.3%
2014	5.99%	14.82%	17.12%
2015	4.93%	14.26%	16.57%
2016	4.93%	13.72%	16.56%

Source: SBA Fact Sheets (2014-2019).

Table 9

SME exports outside the EU (% of SMEs in industry) Annually	**Greece**	**Sweden**	**EU Average**
2011	5.46%	13.66%	9.68%
2012	6.26%	13.59%	10.65%
2013	6.85%	13.68%	9.95%
2014	7.31%	13.68%	9.96%
2015	6.01%	13.36%	9.69%
2016	6.19%	12.88%	9.8%

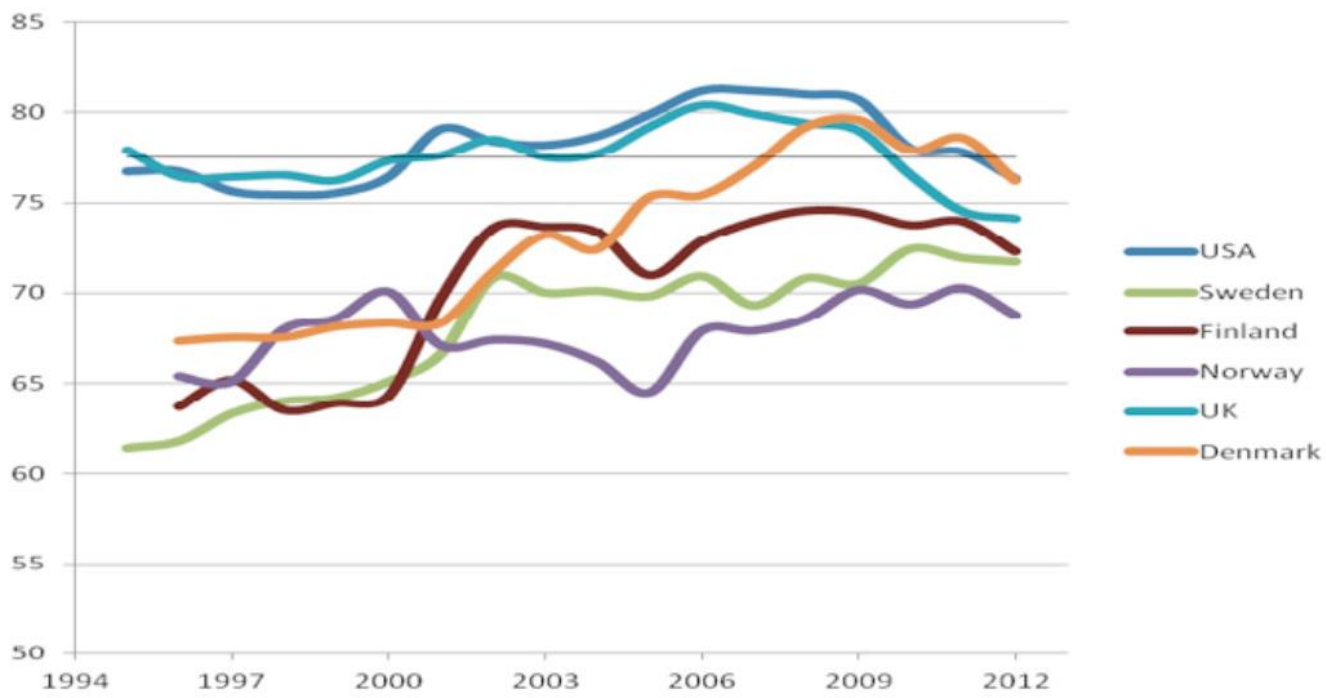
Source: SBA Fact Sheets (2014-2019)

3.2.6 Swedish variety of capitalism and the political economy of corporatism, interest mediation, and the Swedish Krona

Conventionally, Sweden is considered as a Coordinated Market Economy (CME), as classified by Hall and Soskice (2001). CMEs such as Sweden are characterised by: non market forms of interactions e.g networks, strong tripartite relations with organised labour (corporatist variety of capitalism), regulated labour market, industry specific skills, incremental innovation, reliance on patient capital and strategic role of the state (Hall and Soskice, 2001). This thesis picks these assumptions as a starting point and provisionally applies the CME model to Sweden as a operationalizable category, however important caveat need to be made. It needs to be remembered that some economies are inherently mixed, with institutional complementarities stemming from hybrid LME-CME elements, as articulated in chapter 1 section 1.2.2 by Campbell and Pedersen (2007). There is evidence to argue that Sweden illustrates such example. Essentially, many traits and components of the

LME category are existent in Sweden. Sanandaji (2011, 2012) highlight that Sweden combines comparatively higher taxes, more rigid labour market and generous welfare to citizens (often present in CMEs), with economic liberty (LME components) in many areas e.g: trade openness, friendly business environment, privatisation of mandatory pension systems and voucher systems in healthcare and schools, access to sound money, legal structure and security of property rights. The previously outlined reforms of the 1990s injected the LME components into Sweden, figure 7 below from the Heritage Foundation Index of Economic Freedom illustrates that between 1990s and 2012, Sweden (as well as other Nordic countries) increased their economic freedom whereas in LME countries (USA and UK) it has decreased (Sanandaji, 2012). In light of these hybrid (LME-CME) peculiarities of the Swedish case, this thesis will be able to contribute more evidence about the nature of Sweden's capitalist model.

Figure 7: Heritage Foundation Index of Economic Freedom, annual overall score.



Vertical axis: economic freedom score
Horizontal axis: years

Source: Heritage Foundation Index of Economic Freedom (in Sanandaji, 2012).

Traditionally, the Swedish variety of capitalism was enhanced by corporatism, however since the 1980s corporatism has declined in its influence. One of the decisive steps towards the decline of Swedish corporatism was the decentralisation of wage bargaining institutions in the 1980s and the withdrawal of Swedish Employers' Confederation from the boards of government agencies and abolishing of their bargaining unit in 1991 (Svensson and Pontusson, 2000). Hence Sweden embraced a change from the highly centralised system (of the 1950s, 1960s and 1970s) were wages were set according to solidaristic wage policies, towards a more flexible and rather 'moderately' coordinated wage negotiation system from the 1990s onwards (Heyman, et al 2015). The 1990s also saw a change in employment protection law e.g relaxation of regulations related to temporary work contracts, this created so called 'dual Swedish labour market' underpinned by strong employment protections for regular workers and weak protections for temporary workers (Heyman, et al 2015).

Nevertheless, despite a more decentralised wage bargaining system, many corporatist elements are still visible. For instance, corporatist patterns of interest mediation at the local level, the role of labour market organisations in policy making through informal channels (Svensson and Oberg 2002) and a number of coordinated wage agreements struck between employers and unions in the industrial sector post 1997 (Elvander,2002). There is also still perception in Sweden that corporatism within industrial relations and the idea of being organised brings the benefit of making influence and easier process of interest uploading (Lindberg, 2014).

The decline of corporatism in Sweden has been however visible in the realm of decision making and policy processes. Christiansen et al (2010) highlight that corporatism in relation to policy preparation and implementation processes has declined in Sweden, exemplified by lower involvement of interest groups in public commissions, councils and committees. Consequently, as argued by Lindvall and Sebring (2005), Sweden experienced decorporatisation in relation to formal institutional changes, for instance coordination and interest mediation between interest organisations became more politicised and social partnership norms which traditionally influenced policy making have declined.

Finally, an important aspect of the Swedish political economy is the possession of national sovereign currency- the krona. This thesis, in its empirical chapters, does not consider the role of monetary policy, as this factor does not relate to the EU competitiveness agenda (Lisbon/Europe 2020, in the context of trade agenda i.e GE). However, in this background chapter, it is important to briefly recognize the exchange rates as it recognized as a competitiveness factor in the context of free trade (Ionel, et al, 2018). Some of the ‘dependencies’ in the case of Greece intrinsic to its Eurozone membership were outlined in the respective section on Greece. By contrast, in Sweden, possession of the sovereign national currency entailed more ‘independence’ in that realm, which theoretically is associated with some potential advantages. In the context of free trade, the main benefit relates to ability to devalue currency which boosts competitiveness of domestic exporters (especially in the times of crisis). In the broader monetary sense, there is a benefit related to possession of sovereign central bank which can for instance set interest rates tailored towards national situation compared to the ECB’s job of setting interest rates for the whole of Eurozone. There are of course risks attached to possession of an independent national currency (such as higher chance of a speculative attack); this thesis however is not preoccupied with settling which country (Sweden or Greece) is overall better off in the monetary terms. It is however useful to account for the Krona’s fluctuations against the Euro, due to its importance of impacting competitiveness in the context of free trade. The Krona’s fluctuations against the Euro can be seen in the figure 8 below, illustrating that the Krona has substantially depreciated in value against the euro in the wake of the 2008 crisis (boosting competitiveness of Swedish exporting SMEs). Subsequently, the krona followed an upward and strengthening trajectory, however it does not mean that it was free from structural problems. These were evident post 2012, as the krona was systematically deprecating in value (compared to the Euro) in all of the following years, unravelling a rather dangerous trend where the krona slid 21% compared to the Euro (Norland, 2019). Norland (2019) suggests that Sweden’s increasing trade competitiveness problems (manifested through shrinking trade balance surpluses) were the underlying factors behind Sweden’s weakening krona post 2012. Importantly, it means that the weakening krona post 2012, was unable to sufficiently compensate for potential competitiveness loses in other areas and stimulate Swedish exports whilst restricting imports. The trade balance puzzle presented by Norland (2019) is broader and beyond the scope of this thesis (e.g it is taking imports into account too), however this thesis will be able to contribute to debate about the extent to which Sweden possessed structural competitiveness issues, and the impact these had on exports of Swedish SMEs.

Figure 8: SEK (Swedish Krona) in relation to the Euro

Vertical axis: Euro per SEK

Horizontal axis: years

Source: Bloomberg Professional (SEKEUR) in Norland (2019)

<u>Conclusion</u>

The most striking comparative dimension highlighted in this chapter is the contrasting nature of the Greek and Swedish economies. While Greece represents a closed economy, Sweden exhibits an open economy with significantly higher export to GDP ratio than Greece, this corresponds with divergent statistics for SME internationalisation with Swedish SMEs visibly more internationalised than Greek ones. In order to explain these divergences, we need to look at other highlighted dimensions. The Greek economy and its SMEs are embedded within an environment lacking robust institutional-structural fundamentals (on the supply side of the economy: such as business environment) and also embedded within the crisis climate entailing e.g lack of access to finance (in the context of Troika's reforms) as well as overall dependence of the Greek economy. By contrast, Swedish economy and its SMEs are embedded within conducive institutional elements of the business environment and a series of successful structural reforms of the 1990s which provided foundations for subsequent stability during 21st century. In terms of positioning of both countries within GVCs, while Greece is positioned significantly closer to the final demand than Sweden (mainly due to tourism in Greece), on the other hand the Nordic country is participating much more in GVCs (in terms of backward and forward linkages), rather unsurprising given the open nature of the Swedish economy. Finally, the dimension which also attracts attention is the clientelism, rent seeking, state capture and difficulty of interest mediation as part of di-jointed corporatism within the Greek variety of capitalism, which can be contrasted with undermined but still relatively well functioning corporatist system in Sweden. Overall, part 2 of chapter 2, provides an important background required to understand the two selected cases. Building on this background, the subsequent empirical chapters (3-5) will examine internal domestic dimensions of Sweden and Greece further at a deeper level, in order to answer how the domestic setting affects the export performance of SMEs in the context of EU’s free trade agenda.

Chapter 4- Varieties of Capitalism and Domestic Institutional Setups

Introduction

The thesis investigates how (i.e through which mechanisms) the domestic setting affects the export performance of SMEs in the context of EU's free trade agenda. Having placed Lisbon/Europe 2020 Agenda in the context of Global Europe (GE), as an independent variable and SME exports as a dependent variable, this chapter, turns attention to the first intervening/mediating variable- namely the institutional framework of each country's variety of capitalism. This represents various broadly understood institutional dimensions and structures of a country's domestic setting. This chapter aims to answer one of the operationalizable questions posed in the conclusion of chapter 1, namely 'To what extent was the macro level domestic institutional framework supportive for the overall functioning and exports of SMEs'. This question will act as a background theme for all three sections of chapter 4. The overarching answer to the posed question, will be provided in the conclusion of chapter 4. The answer will be underpinned by relevant theoretical literature defined in chapter 1; namely IB, GVC and CC. Most fundamentally, conceptually the answer will draw on the synergy between the IBV (emphasising the importance of institutions to SMEs competitiveness and exports) and various political economy insights from the VoC approach in order to holistically understand the impact of an institutional environment in both countries on their domestic SMEs.

This chapter is composed of three sections, each comparatively analysing specific institutional dimension of the Swedish and Greek variety of capitalism. All of these analysed institutional dimensions are selected based on their importance to EU's competitiveness and trade agenda, but also given their theoretical importance (as defined in chapter 1), as well as their importance to particular cases studies (as defined in chapter 3). The section one is preoccupied with institutional dimensions of the business environment in the Swedish and Greek capitalist models (focusing on the regulatory and administrative aspects of these business environments, as well as business climate for higher added value activities, with special focus on the innovation system). The section two is concerned with the financial realm of the Swedish and Greek variety of capitalism (focusing on the general finance accessibility to SMEs and specific financial arrangement initiatives proposed to support SMEs). The section three is investigating tripartite relations of the Swedish and

Greek capitalist models as well as state-business relations (especially in the form of product markets). All three mentioned sections, firstly analysed in isolation to each section, will then be conceptualised in the conclusion of this chapter as a holistic institutional political economy arrangement of the Swedish and Greek variety of capitalism and analysed in co-existence to each other (inspired by the concept of 'institutional complementarities'). Thus, the conclusion will examine whether three realms of the Swedish and Greek variety of capitalism (analysed in three sections of this chapter) formed an effective insitutional matrix and it will investigate the extent of successful institutional complementarities in relation to SME functioning and their exporting.

4.1 Institutional Dimensions of the Business Environment.

4.1.1 Regulatory and Administrative Aspects of the Business Environment

A conducive business environment (as part of a domestic institutional framework) is one of the fundaments for successful functioning of domestic SMEs and their exporting. The theoretical literature (outlined in chapter 1) has recognized this importance. Bair (2005) as well as Gibbon & Ponte (2005) highlighted that firms operate within an institutional and regulatory context (see section 1.1.3). The IBV (Peng et al 2008, 2009) emphasized that an institutional context fundamentally influences functioning and internationalisation (e.g exports) of firms such as SMEs (see section 1.1.5) with similar conceptions done in the CC literature (Hall and Soskice, 2001) about the impact of institutional frameworks on firm's competitiveness (see section 1.2.1). Such institutional and regulatory framework in the GVC context could be conceived as a 'facilitator' of a 'business enabling environment' (Neilson, 2014; Mayer and Phillips, 2017) [see section 1.1.3]. This sub section investigates empirically the nature of this business environment in Sweden and Greece, focusing on the 'formal' institutional aspects (see North, 1990 in section 1.2.1) i.e. regulatory and administrative rules, procedures and laws. Both case studies will be analysed using the same criteria, i.e. the chosen aspects from the World Bank's (WB) 'Ease of Doing Business Rankings' and the Small Business Act for Europe (SBA) fact sheets. This data is highly relevant in the context of theoretical literature findings from van der Marel (2015) who argued that doing business indicators and customs procedures are important competitiveness dimensions for country participation in GVCs (see section 1.1.3)

As defined in chapter 3, the Swedish capitalist model was embedded within favourable institutional dimensions of the business environment (Bergh, 2014; Ketels, 2012) [see section 3.2.4], Greece however occupied the weaker end of the business environment institutional spectrum. Mitsopoulos and Pelagidis (2014) argued that in the wake of Eurozone crisis, Greece stood out in terms of potential for boosting competitiveness based on improving its business environment, similarly Böwer et al (2014) argued that the institutional deficit of Greece is the main reason behind its weak trade performance as it adds the cost of doing business (see section 3.2.1). By looking at the World Economic Forum

(WEF) Global Competitiveness rankings between 2007-2017 (the period of interest to this thesis), it can be seen that Sweden ranked consistently within the top 10. Greece was placed 47th in 2007, however falling sharply in the following years, reaching its lowest 96th in 2012, then improving slightly to 87th place in 2017. Similarly, differences between both countries, can be seen in the WB's Ease of Doing Business rankings, Sweden ranked 13th in 2007 and on average occupied such place throughout, whereas Greece was placed 109th in 2007, subsequently occupied similarly low positions between 2008-2012 and then improving tendency started, ending with the 61st place in 2017. The next paragraphs will unpack the regulatory and administrative indicators using WB and SBA data, as well as my interviews.

Table 13 below, illustrates the 'starting business' criteria. One of the strengths of the Swedish administrative realm was the small number of procedures needed to start a business, namely 3 procedures, this was a Greek weakness as 15 procedures were needed, however later improved to 5. Both countries however underperformed (compared to the EU averages) in terms of time required to start the business, between 2007-2015, it required 15-16 days in Sweden, whereas in Greece between 2007-2011 it required 19-38 days, however both countries, especially Sweden, improved in later stages with reduction to 7 days in Sweden and 13 days in Greece. Swedish bureaucracy performed strongly in terms of the cost of starting a business, which was consistently very low, namely 0.5%-0.6% (% of income per capita), Greece trailed far behind in early stages with average around 20%, however improved to 2.2% in the latter stages. If expressed in euros, in 2014, in Sweden the cost to set up a business was €215, compared to the EU average of €318, in Greece it was around 4 times more expensive (SBA, 2014). In terms of paid-in minimal capital needed for limited liability companies, both countries faced improving tendency with substantial reductions in Sweden since 2011, whereas Greece impressively totally removed the paid-in minimum capital required for business registration since 2014. As available data illustrates, the number of start-up registrations in Sweden was steady between 2008-2015 and grew by 21.3% to reach 70135 in 2015 (SBA, 2017). By contrast, in Greece, such numbers were fluctuating and were significantly lower compared to its Swedish counterpart. For instance, in 2016, in Greece, 28615 new start-ups were registered which represented a fall of 33.1% since 2012 (SBA, 2017). As highlighted by my interviewees, the start-up figures in both countries need to be understood in the broader context. Whilst relatively strong institutional dimensions related to 'starting business' contributed to more start-ups in

Sweden, its start-up success is however also related to incentives from broader institutional structure, sound policies, availability of finance, and robust macroeconomic situation (see interview number 20). By contrast, Greek interviewees highlighted that unsatisfactory number of start-ups were a broader problem beyond insufficient institutional problems within 'starting business' and essentially it correlated with recession and crisis of the Greek economy (during the investigated period) which further stifled potential start-ups (see interview number 4).

Table 13

Criteria: Starting a business	**Sweden**	**Greece**	**EU Average**
Procedures (number)	In 2007: 3 In 2008: 3 In 2009: 3 In 2010: 3 In 2011: 3 In 2012: 3 In 2013: 3 In 2014: 3 In 2015: 3 In 2016: 3 In 2017: 3	In 2007: 15 In 2008: 15 In 2009: 15 In 2010: 15 In 2011: 15 In 2012: 10 In 2013: 11 In 2014: 5 In 2015: 5 In 2016: 5 In 2017: 5	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: 5.25
Time (days)	In 2007: 16 In 2008: 15 In 2009: 15 In 2010: 15 In 2011: 15 In 2012: 15 In 2013: 16 In 2014: 16 In 2015: 16 In 2016: 7 In 2017: 7	In 2007: 38 In 2008: 38 In 2009: 19 In 2010: 19 In 2011: 19 In 2012: 10 In 2013: 11 In 2014: 14 In 2015: 13 In 2016: 13 In 2017: 13	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 14 In 2013: 4.2 In 2014: 3.53 In 2015: 3.53 In 2016: 3.3 In 2017: 3.1
Cost (% of income per capita)	In 2007: 0.7% In 2008: 0.6% In 2009: 0.6% In 2010: 0.6% In 2011: 0.6% In 2012: 0.6% In 2013: 0.5% In 2014: 0.5% In 2015: 0.5% In 2016: 0.5% In 2017: 0.5%	In 2007: 24.2% In 2008: 23.3% In 2009: 10.2% In 2010: 10.9% In 2011: 20.7% In 2012: 20.1% In 2013: 20.5% In 2014: 4.6% In 2015: 2.2% In 2016: 2.2% In 2017: 2.2%	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: N/A

Minimum capital (% income per capita)	In 2007: 33.7% In 2008: 31.1% In 2009: 30.3% In 2010: 28.5% In 2011: 14.7% In 2012: 14.0% In 2013: 13.2% In 2014: 13.1% In 2015: 12.8% In 2016: 12.0% In 2017: 11.5%	In 2007: 116.0 In 2008: 104.1 In 2009: 19.6% In 2010: 21.4% In 2011: 22.3% In 2012: 22.8% In 2013: 24.4% In 2014: 0.0% In 2015: 0.0% In 2016: 0.0% In 2017: 0.0%	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 16% In 2013: 15% In 2014: 10.42% In 2015: 11.26% In 2016: 10.66% In 2017: 10.93%

Source: World Bank Doing Business Rankings (2007-2017), SBA Fact Sheets (2012-2018) .

The realm of ‘Registering/transferring property’ presented in table 14 below, exhibits another aspect of Greek deficiency and relative Swedish strength. Sweden strikingly outperformed Greece in terms of number of procedures needed to registered/transfer property, with only 1 procedure required in Sweden compared to 10-12 in Greece. Time required to register/transfer property was also on average shorter in Sweden compared to EU and Greek peers, although process was slightly quicker in Greece than in the EU average. In terms of cost required to register/transfer property, Swedish average was consistently slightly outperforming the EU average, hence making the process cheaper, Greece performed well between 2007-2010, subsequently, these costs substantially increased but returned to European standards in 2015.

Table 14

Criteria: Registering Property	**Sweden**	**Greece**	**EU Average**
Procedures (number)	In 2007: 1 In 2008: 1 In 2009: 1 In 2010: 2 In 2011: 1 In 2012: 1 In 2013: 1 In 2014: 1 In 2015: 1 In 2016: 1 In 2017: 1	In 2007: 12 In 2008: 12 In 2009: 11 In 2010: 11 In 2011: 11 In 2012: 11 In 2013: 11 In 2014: 11 In 2015: 10 In 2016: 10 In 2017: 10	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: N/A
Time (days)	In 2007: 2 In 2008: 2 In 2009: 2 In 2010: 15 In 2011: 7	In 2007: 23 In 2008: 23 In 2009: 22 In 2010: 22 In 2011: 22	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A

	In 2012: 7 In 2013: 30 In 2014: 28 In 2015: 14 In 2016: 14 In 2017: 7	In 2012: 18 In 2013: 18 In 2014: 20 In 2015: 20 In 2016: 20 In 2017: 20	In 2012: 36 In 2013: 28 In 2014: 27.7 In 2015: 25.57 In 2016: 23.04 In 2017: 23.82
Cost (% of property value)	In 2007: 3.0% In 2008: 3.0% In 2009: 3.0% In 2010: 3.0% In 2011: 3.0% In 2012: 4.3% In 2013: 4.3% In 2014: 4.3% In 2015: 4.3% In 2016: 4.3% In 2017: 4.3%	In 2007: 3.8% In 2008: 4.0% In 2009: 3.8% In 2010: 4.0% In 2011: 12.7% In 2012: 12.0% In 2013: 11.8% In 2014: 11.7% In 2015: 4.9% In 2016: 4.9% In 2017: 4.8%	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 4.69% In 2013: 4.6% In 2014: 4.7% In 2015: 4.45% In 2016: 4.46% In 2017: 4.79%

Source: World Bank Doing Business Rankings (2007-2017), SBA Fact Sheets (2012-2018)

In relation to 'enforcing contracts' (illustrated in table 15 below), Sweden outperformed Greece in terms of number of procedures needed to enforce contracts, namely 30 procedures on average in Sweden, compared to 39 in Greece. Even more striking difference between both countries was evident within time (days) to enforce contracts, with Sweden making the process comparatively much quicker than Greece. On the positive note for Greece, the cost of enforcing contracts (% of claim) was cheaper in Greece (around 14%) compared to around 31.2% for Sweden and around 21% for the EU average.

Table 15

Criteria: Enforcing Contracts	**Sweden**	**Greece**	**EU Average**
Procedures (number)	In 2007: 19 In 2008: 30 In 2009: 30 In 2010: 30 In 2011: 30 In 2012: 30 In 2013: 30 In 2014: 30 In 2015: 31 In 2016: N/A In 2017: N/A	In 2007: 22 In 2008: 39 In 2009: 39 In 2010: 39 In 2011: 39 In 2012: 39 In 2013: 39 In 2014: 39 In 2015: 38 In 2016: N/A In 2017: N/A	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: N/A
Time (days)	In 2007: 208 In 2008: 508 In 2009: 508 In 2010: 508	In 2007: 730 In 2008: 819 In 2009: 819 In 2010: 819	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A

	In 2011: 508 In 2012: 508 In 2013: 314 In 2014: 314 In 2015: 321 In 2016: 321 In 2017: 321	In 2011: 819 In 2012: 819 In 2013: 819 In 2014: 1300 In 2015: 1580 In 2016: 1580 In 2017: 1580	In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: N/A
Cost (% of claim)	In 2007: 5.9% In 2008: 31.3% In 2009: 31.3% In 2010: 31.2% In 2011: 31.2% In 2012: 31.2% In 2013: 31.2% In 2014: 31.2% In 2015: 31.2% In 2016: 30.4% In 2017: 30.4%	In 2007: 12.7% In 2008: 14.4% In 2009: 14.4% In 2010: 14.4% In 2011: 14.4% In 2012: 14.4% In 2013: 14.4% In 2014: 14.4% In 2015: 14.4% In 2016: 14.4% In 2017: 14.4%	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 20.6% In 2013: 21.5% In 2014: 21.49% In 2015: 21.54% In 2016: 21.88% In 2017: 21.96%

Source: World Bank Doing Business Rankings (2007-2017), SBA Fact Sheets (2012-2018)

Regarding the closing business/resolving insolvency criteria exemplified in table 16 below, initially the time to close a business/resolve insolvency in Sweden and Greece were in line with the EU averages, however since 2014 this situation visibly deteriorated in Greece. According to my interviewees, this deterioration in insolvency and bankruptcy procedures in Greece resulted in capital and labour being trapped in low productivity 'zombie' firms, which created resource misallocation and resource scarcity for SMEs (see interview number 7). This finding connects to the RBV theoretical framework (in its interaction with IBV) about the importance of resources in relation to institutional structures (see chapter 1, section 1.1.5). The cost regarding the bankruptcy/insolvency processes was the same at 9% in both countries, slightly better than EU averages, whereas the recovery rates for businesses were substantially higher in Sweden than in Greece.

Table 16

Criteria: Closing a business/resolving	Sweden	Greece	EU Average
Time (years)	In 2007: 2.0 In 2008: 2.0 In 2009: 2.0 In 2010: 2.0 In 2011: 2.0 In 2012: 2.0 In 2013: 2.0 In 2014: 2.0 In 2015: 2.0 In 2016: 2.0 In 2017: 2.0	In 2007: 2.0 In 2008: 2.0 In 2009: 2.0 In 2010: 2.0 In 2011: 2.0 In 2012: 2.0 In 2013: 2.0 In 2014: 3.5 In 2015: 3.5 In 2016: 3.5 In 2017: 3.5	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 1.94 In 2013: 2.0 In 2014: 2.0 In 2015: 2.01 In 2016: 1.97 In 2017: 1.97
Cost (% of estate)	In 2007: 9% In 2008: 9% In 2009: 9% In 2010: 9% In 2011: 9% In 2012: 9% In 2013: 9% In 2014: 9% In 2015: 9% In 2016: 9% In 2017: 9%	In 2007: 9% In 2008: 9% In 2009: 9% In 2010: 9% In 2011: 9% In 2012: 9% In 2013: 9% In 2014: 9% In 2015: 9% In 2016: 9% In 2017: 9%	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 10.64% In 2013: 10.2% In 2014: 10.29% In 2015: 10.25% In 2016: 10.25% In 2017: 10.25%
Recovery Rate (cents on the dollar)	In 2007: 75.7 In 2008: 74.7 In 2009: 75.1 In 2010: 75.1 In 2011: 77.3 In 2012: 75.8 In 2013: 74.7 In 2014: 75.5 In 2015: 76.1 In 2016: 76.6 In 2017: 77.9	In 2007: 46.3 In 2008: 44.8 In 2009: 44.2 In 2010: 44.2 In 2011: 43.2 In 2012: 41.8 In 2013: 44.5 In 2014: 34.0 In 2015: 34.3 In 2016: 34.9 In 2017: 35.6	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: N/A In 2013: N/A In 2014: N/A In 2015: N/A In 2016: N/A In 2017: N/A

Source: World Bank Doing Business Rankings (2007-2017), SBA Fact Sheets (2012-2018)

The business environment dimensions analysed so far, play a significant supportive role for establishing start-ups and general functioning and survival of existing SMEs on the Swedish and Greek market, nevertheless for those SMEs wishing to take part in GVCs via exporting/importing, the regulatory and administrative aspects of ‘trading across borders’, are of direct relevance. Tables 17 and 18 below illustrate these trade related regulatory dimensions.

Table 17 Criteria: Trading Across Borders- Part 1

Criteria	Sweden	Greece	EU Average
Documents to Export (Number)	In 2007: 4 In 2008: 4 In 2009: 4 In 2010: 4 In 2011: 3 In 2012: 3 In 2013: 3 In 2014: 3 In 2015: 3	In 2007: 7 In 2008: 5 In 2009: 5 In 2010: 5 In 2011: 5 In 2012: 5 In 2013: 5 In 2014: 4 In 2015: 4	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 5 In 2013: 4 In 2014: 4.25 In 2015: 4.14
Time to Export (days)	In 2007: 6 In 2008: 8 In 2009: 8 In 2010: 8 In 2011: 8 In 2012: 8 In 2013: 8 In 2014: 9 In 2015: 9	In 2007: 29 In 2008: 20 In 2009: 20 In 2010: 20 In 2011: 20 In 2012: 20 In 2013: 19 In 2014: 16 In 2015: 15	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 11 In 2013: 11 In 2014: 11.82 In 2015: 11.57
Cost to Export (US$ per container)	In 2007: 831 In 2008: 561 In 2009: 697 In 2010: 697 In 2011: 697 In 2012: 697 In 2013: 705 In 2014: 725 In 2015: 725	In 2007: 1328 In 2008: 998 In 2009: 1153 In 2010: 1153 In 2011: 1153 In 2012: 1153 In 2013: 1115 In 2014: 1040 In 2015: 1040	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 1032 In 2013: 1004 In 2014: 1034.64 In 2015: 1042.14

Source: World Bank Doing Business Rankings (2007-2015), SBA Fact Sheets (2012-2016)

Table 18 Criteria: Trading Across Borders- Part 2

Criteria	Sweden	Greece	EU Average
Documents to Import (Number)	In 2007: 3 In 2008: 3 In 2009: 3 In 2010: 3 In 2011: 3 In 2012: 3 In 2013: 3 In 2014: 3 In 2015: 3	In 2007: 11 In 2008: 6 In 2009: 6 In 2010: 6 In 2011: 6 In 2012: 6 In 2013: 6 In 2014: 6 In 2015: 6	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 5 In 2013: 5 In 2014: 4.68 In 2015: 4.64
Time to Import (days)	In 2007: 6 In 2008: 6 In 2009: 6 In 2010: 6 In 2011: 6 In 2012: 6 In 2013: 6 In 2014: 6 In 2015: 6	In 2007: 34 In 2008: 25 In 2009: 25 In 2010: 25 In 2011: 25 In 2012: 25 In 2013: 15 In 2014: 15 In 2015: 14	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 11 In 2013: 11 In 2014: 10.71 In 2015: 10.64
Cost to Import (US$ per container)	In 2007: 831 In 2008: 619 In 2009: 735 In 2010: 735 In 2011: 735 In 2012: 735 In 2013: 735 In 2014: 735 In 2015: 735	In 2007: 1443 In 2008: 1245 In 2009: 1265 In 2010: 1265 In 2011: 1265 In 2012: 1265 In 2013: 1135 In 2014: 1135 In 2015: 1135	In 2007: N/A In 2008: N/A In 2009: N/A In 2010: N/A In 2011: N/A In 2012: 1101 In 2013: 1072 In 2014: 1069.89 In 2015: 1079.54

Source: World Bank Doing Business Rankings (2007-2015), SBA Fact Sheets (2012-2016)

Regarding the above trading across borders criteria, Swedish business climate for exporters and importers impressively stood out in the EU context by outperforming the EU averages on all dimensions, whereas the Greek environment was problematic. The number of documents required to export and import for firms (with non EU countries) was on average 3 in the Swedish case, compared to 5-6 documents in the Greek case. Sweden outperformed the EU averages most noticeably in terms of time and cost required to export and import. For instance in 2015, in Sweden it took on average 2.5 days less to export and 4.6 days less to import compared to the EU countries average and it costed in Sweden around 70% less than in the EU average (SBA, 2015). In Greece, contrarily, it was more costly and more time consuming for Greek SMEs to import or export to non-EU countries. For instance, in terms of costs to export (in US$) in 2013, in Greece the cost was 1115$, compared to 705$ for Sweden and 1004$ for the EU average. Time required to export and import was noted by the SBA (2015) as the main source of Greek deficiency, as it was taking around a third more time to export and import than the EU average, as can be seen in tables 17 and 18. Overall, this paragraph highlights burdensome customs formalities in Greece, which caused problems for SMEs which aimed to engage in exporting/importing activities within GVCs, contrarily Swedish customs procedures were visibly less bureaucratic, less lengthy and less costly compared to EU and Greek counterparts.

Overall, all of the above rankings in this section show that the regulatory landscape of Sweden portrays a business friendly environment. This corresponds with my interview findings, as claimed by one of my interviewees:

“seen through the perspective of SMEs, doing business environment in Sweden is a reflection of responsive administration” (interview number 26).

As exemplified in this quote, it can be argued in general that Swedish public administration was responsive to SME needs. (see interview numbers 26 and 28). An example of it provided by one of my interviewees, was the governmental initiative in 2007, with bottom up regulatory approach to reduce administrative burden on especially small types of SMEs, its bottom up nature entailed that every new regulation must be analysed from the point of view of SME affected by it and designed not to produce further bureaucracy (see interview number 21). By contrast, in Greece, the above indicators exhibit problematic environment for domestic SMEs, as articulated by one of my interviewees:

“Greece’s doing business environment lacks sensitivity towards SME needs, its administrative side is fundamentally deficient and burdening” (interview number 4).

Furthermore, as argued by my interviewees, despite some positive progress on improving some of the above formal institutional indicators, the reforms were limited due to the obstacle from the informal side. Essentially, the behaviour and attitudes of state officials, civil servants and bureaucrats were still shaped by the old clientielist and rent seeking traditions (see interview numbers 3 and 8) [For these features of Greek VoC see chapter 1 section 1.2.4 and chapter 2 section 2.2.3]. Thus, post 2010 reforms, many Greek SMEs, on the ground, were still confronted with bureaucratic and regulatory driven state, instead of a business friendly public administration responsive to SME needs, given that informal institutions take long time to change (see interview numbers 6 and 14). Overall, the findings from this section, relate to the theoretical concept of ‘path dependence’ (see chapter 1, section 1.2.1). Essentially, it can be observed that business environment structures, in both countries, followed path dependent nature resembling heritages of the past. In Sweden, the path dependency reflected a positive trend of continuing pro-business environment in line with historical institutional strengths in this realm. By contrast, in Greece, limitations in this realm also stemmed from path dependency, essentially continuing deficiencies from the past, with even visible improvements post 2010 reforms, being subdued on the ground as suggested by my interviewees due to continuation of deeply embedded features of Greek VoC.

4.1.2 Business Environment for the Higher Value Added Activities: the Innovation System.

This sub section turns attention towards an upper level of the business environment institutional spectrum, namely domestic conditions related to higher value added activities. As defined by Gereffi et al (2005) [see chapter 1 section 1.1.2], the notion of ‘upgrading’ (the process of moving from low value to relatively high value activities in GVCs) is one of the crucial GVC related concepts. It has its significance for Sweden and Greece and for their domestic SMEs, wishing to upgrade within GVCs, e.g through the exports of medium & high tech products and the exports of knowledge-intensive services sectors. Such process of upgrading, is to some extent dependent on the institutional context related to the national innovation system. As defined by van der Marel (2015) [see section 1.1.3], innovation conducive climate is of great importance to country participation in GVCs. This innovation conducive climate can be studied at the national level through the CC literature [see section 1.2.2] which also focuses on innovation systems, i.e. Hall and Soskice (2001) distinction between radical and incremental innovations (between LMEs and CMEs) and weaker innovation capabilities of DMEs as argued by Nölke and Vliegenthart (2009). This sub section investigates empirically the nature of this innovation framework in Sweden and Greece. Both countries will be analysed using the chosen aspects the European Innovation Scoreboard (EIS) and my interviews.

Sweden

As defined in chapter 3, Sweden participates highly in GVCs in terms of backward and forward linkages and successfully combines value creation in both upstream (R&D, product design) and downstream (marketing and customer services) activities (OECD, 2015; Growth Analysis, 2016). Furthermore, Nordic Council of Ministers (2016) outlined the growing significance of services exports with prominence of knowledge intensive industries [see section 3.2.5]. These findings indicate the upgrading trend of Sweden within GVCs and the following discussion investigates the domestic innovation related institutional foundations behind it.

The European Innovation Scoreboard (EIS) conducted by the EC will be now used to investigate the Swedish innovation framework and capabilities. The EIS outlines innovation performance of the EU member states by analysing the three dimensions (enablers, firm activities, and outputs), the countries are ranked into four groups with different level of performance (innovation leaders, innovation followers, moderate innovators and catching up countries). Sweden between 2007-2017 was consistently ranked in the EIS within 'innovation leaders' and was ranked as number one, hence a country with the best innovation performance in the EU. The strength of the Swedish innovation framework lies in various components. It starts with the 'enabling factors' i.e. solid human resources (hence availability of high skilled and educated people, especially visible at the doctoral level) and admirable performance in open & excellent research systems (especially international scientific co-publications). Finally, Sweden performed strongly in the finance and support dimension of the enabling factors (looking at availability of finance for innovation projects). For instance, in 2016, the R&D expenditure in the public sector (% of GDP) in the EU average was 0.72%, whereas in Sweden it was 1.04%, the Venture Capital Investments (% of GDP) for 2016 were 0.063% in the EU average, whereas in Sweden 0.081% (EIS, 2016).

The 'firm activities' dimensions are another realm where Sweden performed above the EU average, especially outstanding in terms of 'PCT patent applications', hence possessing strong intellectual assets. The Swedish firm investments also outperformed the EU standards, in 2016, the R&D expenditure in the business sector (% of GDP) was 1.30% in the EU average and 2.12% in Sweden, whereas non R&D innovation expenditure (% of turnover) in 2016 was 0.69% in EU average and 0.79% in Sweden (EIS, 2016). The 'linkages and entrepreneurship' dimension are another strong Swedish area. Here, 'public-private scientific co-publications' stood out (showing robust public-private research linkages and dynamic collaboration between business and public sector researchers). My interviewees provided further insights into the entrepreneurship dimension, by arguing that entrepreneurs received high social status in the Swedish society (as perceived by people), the Swedish media promoted the culture of entrepreneurship and entrepreneurial education was solid. These aspects contributed to robust cultural underpinnings of the innovation system (see interview numbers 24 and 29). This finding connects to the theoretical literature on the importance of informal institutional dimensions (e.g culture) which operate in collaboration with formal dimensions (see chapter 1, section 1.2.1).

Finally, regarding 'outputs', the picture for Sweden was however more modest, as the solid and robust Swedish innovation framework did not translate into a substantive success within higher value added exports. Here Sweden performed similarly to the EU averages and did not outperform the EU standards in any substantial way. In 2016, the exports of medium & high tech products (as a share of total product exports) in the EU average were 56.1%, whereas in Sweden 54.7%. Similarly, in terms of exports of knowledge-intensive services sectors (% of total services exports), the EU average in 2016 was 63.1%, whereas the Swedish one was 65% (EIS, 2016). As shown in the 2007-2017 EIS rankings, these export figures were consistently in line with the EU averages, occasionally slightly below or above the EU standards. There is hence a sense of lost potential and scope for Swedish improvement in terms of upgrading further within GVCs, given the strength of the overall Swedish innovation institutional framework analysed above. The Swedish priority remains translating more deeply the efficiency of inputs (enabling factors and firm activities) into outputs (exports of medium & high tech products and knowledge intensive services exports).

<u>Greece</u>

As defined in chapter 3, Greece is a country visibly less participating in GVCs in terms of backward and forward linkages (van der Marel, 2015) and is characterised by rather low high and medium technology content of exports as outlined by (OECD, 2013b) [see section 3.2.2]. During 2007-2017, Greece was consistently classified by the EIS in the 'moderate innovators' group, which is the third out of four innovation groups based on performance.

The Greek innovation framework and capabilities will be now explored using the EIS. During the investigated period, Greece was consistently classified by the EIS in the 'moderate innovators' group, which is the third out of four innovation groups based on performance. This means that Greece as a moderate innovator occupied the lower end of the innovation spectrum in the EU, significantly behind Sweden. The picture behind the Greek innovation framework is mixed consisting of some promising strengths however surrounded by many weaknesses, as will be shown in the following discussion.

Starting with the 'enabling factors', the area of strength of Sweden, in the case of Greece proved to be the realm of weakness during 2007-2017. The Greek deficiency can be seen within human resources, especially the lack of new graduate students. The insufficiency of Greece was also visible in relation to the quality of research systems, although on the positive note, international scientific co-publications were often above the EU average during the investigated period. Overall, it is the finance and support category of 'enabling factors' which was the most striking weakness of Greece. For instance in 2016, the R&D expenditure in the public sector (% of GDP) was 0.54% in Greece compared to 0.72% for the EU average and 1.04% in Sweden. Even worse situation in 2016 existed in the Venture Capital Investments (% of GDP), which only stood at 0.001% in Greece, compared to the EU average of 0.063%, and 0.081% in Sweden (EIS, 2016).

Greek performance within the 'firm activities' dimensions during 2007-2017 was also largely weak. It was certainly disappointing in terms of small number of 'PCT patent applications', showing weak intellectual assets. It was more positive in terms of firm investments, here the non R&D innovation expenditure (% of turnover) was on average higher in Greece than in the EU for most years of the investigated period, in 2016 it was 0.87% in Greece compared to 0.69% for the EU average and 0.79% in Sweden (EIS, 2016). The opposite was the case for R&D expenditures in the business sector in which Greece was consistently underperforming; in 2016, the EU average was 1.30%, the Swedish one 2.12%, whereas Greece underperformed with 0.28%. Greek performance within 'linkages and entrepreneurship' was also mixed. During the investigated period, one of the major Greek deficiencies in this area was very low 'public-private scientific co-publications', showing weak public-private research linkages and lack of collaboration between business and public sector researchers. My interviews unpacked the entrepreneurship dimension further and argued that in Greece the innovation system was further weakened by weak entrepreneurship culture. Essentially, the attitude of society towards entrepreneurs was more negative compared to other EU countries, promotion of entrepreneurship in Greek media was highly lacking and deteriorated even further during crisis years; with entrepreneurial education in schools also inadequate leading to weak entrepreneurial skills of Greek SME owners (see interview numbers 11 and 13). As in the case of Sweden, this highlights the importance of informal institutional components (see section 1.2.1). Additionally, the weak entrepreneurship culture must also be understood within the wider features of the Greek VoC such as clientelism, rent seeking and state capture (see chapter 1 section 1.2.4 and chapter 2 section 3.2.3) which distorted healthy image of entrepreneurship in Greece as suggested by my interviewees (see interview numbers 1 and 8).

In the 'outputs' section of the EIS puzzle, the Greek story was also the story of underperformance. Ultimately, the Greek innovation framework consisting of many visible weaknesses, translated into a below average performance in terms of higher value added exports, apart from single rare performances above the EU average. Especially the exports of medium & high tech products (as a share of total product exports) were often seriously underperforming in Greece, in 2016, they stood at only 22.7% compared to 54.7% in Sweden and 56.1% in the EU average. The exports of knowledge-intensive services sectors (% of total services exports), were on average during 2007-2017 not as bad for Greece, but still often unimpressive, in 2016, they stood at 51.% compared to 63.1% for the EU average and 65% for Sweden (EIS, 2016). Overall, a weaker performance of Greece in these higher value added exports (of goods and services) could be partly the result of institutional deficits of the innovation framework outlined above. These deficiencies among other factors (analysed in this and other chapters) meant that Greece was unable to upgrade sufficiently within GVCs.

Whilst synthesizing the first section of chapter 4, it is worth returning to the overarching question of this whole chapter, namely the extent to which domestic institutional framework was supportive to the overall functioning and exporting of SMEs. The answer which empirical evidence in this section gives, is that the Swedish domestic institutional structure was highly conductive towards functioning and exports of its SMEs, with the opposite being the case for Greece. The regulatory environment related to establishing start-ups and general functioning and survival of SMEs was conductive in Sweden, but troubling in Greece. Some of the improvements in Greece in this realm since 2014 were also subdued on the ground as suggested by my interviewees. In relation to institutional environment related to higher value added activities (i.e exports of medium & high tech products and knowledge-intensive services sectors), the Swedish innovation system was highly conducive on various dimensions (such as human resources, research systems, finance support for innovation and firm activities). There was however a sense of lost potential as the strong Swedish innovation system did not translate into high value added exports as much as it could be expected. On the other hand, the Greek underperformance on such exports was underpinned by existence of highlighted deficiencies in its innovation framework (such as human capital, financial support for innovation, R&D expenditures in the business sector and low public-private scientific co-publications). The theoretical implication from this section is the need to study the IBV framework as well as the processes of upgrading (the GVC framework) in the broader context using insights from the VoC approach. Essentially, business environment, an important institutional element of the IBV analysis, is not a neutral economic component but is entangled within broader socio-political structures, with the VoC approach providing useful insights to understand it. Similarly, in the case of the GVC framework and its upgrading component, deeper domestic contextual factors of the upgrading processes can be missed without a synergy with the comparative political economy literature on the VoC approach. Both of these theoretical contributions will be further elaborated in the overall conclusion of chapter 4.

4.2 Finance Accessibility and Financial Support Arrangements

Introduction

The availability of finance for the functioning of SMEs and their GVC related activities such as exporting, is of crucial importance as determined in the theoretical literature (e.g Yeung and Coe, 2014 ; van der Marel, 2015; Barney, 1991, Peng et al 2009,2009) [see chapter 1 sections 1.1.2 ; 1.1.3 and 1.1.5]. Additionally, Muûls (2012) argued that due to risk factor associated with exporting activities, exporting firms are more dependent on external financing than non-exporting firms; whereas Manova (2013) articulated that less financially constrained firms enjoy more prominent presence in exporting markets. The firm financing arrangements however vary across different nations and they can be studied by looking at financial realms of the national varieties of capitalism as highlighted by Hall and Soskice (2001) [see chapter 1 section 1.2.5]. Chapter 3 has determined that both Swedish and Greek varieties of capitalism fall under stakeholder capitalism with bank based/credit based financial system being the dominant form for firm financing [see sections 3.2.1 and 3.2.4]. Due to divergent political economy contexts defined in chapter 3, Swedish variety of capitalism was enhanced by the relative financial stability, whereas dependency emerged as the feature of Greek variety of capitalism and it was manifested within the financial realm with precarious position of the Greek banking system [see sections 3.2.1 and 3.2.4]. This chapter investigates empirically the financial realm of both varieties of capitalism, by firstly comparatively outlining the general 2007-2017 climate for finance availability for SMEs (using SBA fact sheets) and subsequently shedding light into more specific domestic financial arrangements of relevant to SMEs in both countries.

4.2.1 Finance Accessibility

Generally speaking, during the investigated period, Swedish SMEs enjoyed strong financing conditions, contrarily to Greek SMEs which faced substantial obstacles and constraints within the financing realm. As documented by the SBA fact sheets, the 'Access to finance' dimensions have been the stronghold of Sweden and the major limitation for Greece; this was supported by my interview findings. Whilst Sweden was among the best EU performers, Greece was ranked the lowest out of all EU member states on this dimension (caused by the precarious position of the Greek economy and banks during the sovereign debt crisis). The outline of Swedish and Greek performances within the financial realm is presented in table 19 below.

Table 19 Criteria: Access to Finance

Criteria	Sweden Performance (Years)	Greece Performance (Years)	EU Average Performance (Years)
Access to public financial support including guarantees (% of SME respondents who indicate a deterioration)	In 2011: 3% In 2012: 3% In 2013: 4.8% In 2014: 5.19% In 2015: 5.07% In 2016: 3.04% In 2017: 2.6%	In 2011: 26% In 2012: 34% In 2013: 20.6% In 2014: 39.35% In 2015: 69.27% In 2016: 55.49% In 2017: 32.75%	In 2011: 22% In 2012: 20% In 2013: 17.3% In 2014: 21.36% In 2015: 13.76% In 2016: 14.16% In 2017: 10.18%
Rejected loan applications and unacceptable loan offers (% of loan applications by SMEs)	In 2011: 3% In 2012: 3% In 2013: 12% In 2014: 16.97% In 2015: 5.9% In 2016: 6.77% In 2017: 3.42%	In 2011: 29% In 2012: 37% In 2013: 33.9% In 2014: 39.71% In 2015: 19.25% In 2016: 29.01% In 2017: 21.15%	In 2011: 15% In 2012: 17% In 2013: 14.4% In 2014: 16.16% In 2015: 9.64% In 2016: 8.57% In 2017: 5.93%
Willingness of banks to provide a loan (% of SMEs respondents who indicated a deterioration)	In 2011: 9% In 2012: 9% In 2013: 10.2% In 2014: 9.36% In 2015: 6.8% In 2016: 5.68% In 2017: 5.25%	In 2011: 46% In 2012: 49% In 2013: 51% In 2014: 37.2% In 2015: 47.47% In 2016: 32.46% In 2017: 21.38%	In 2011: 27% In 2012: 26% In 2013: 24.6% In 2014: 21.17% In 2015: 13.01% In 2016: 11.96% In 2017: 9.66%
Total duration to get paid (number of days)	In 2011: 32 In 2012: 32 In 2013: 31.67 In 2014: 31.67 In 2015: 29 In 2016: 29 In 2017: 29	In 2011: 113 In 2012: 104 In 2013: 95.67 In 2014: 92.67 In 2015: 33.67 In 2016: 73 In 2017: 64.67	In 2011: 53 In 2012: 52 In 2013: 50.76 In 2014: 49.6 In 2015: 34.96 In 2016: 37.08 In 2017: 35.14

Source: SBA Fact Sheets (2012-2018).

In terms of access to public financial support including guarantees (% of SME respondents who indicate a deterioration), table 19 illustrates that Swedish SMEs were on average very satisfied with their access to public financial support, with only between 3-5% of Swedish SMEs that indicated more difficulties in accessing financial support instruments, compared to between 10%-22% for EU average. The Greek SMEs, on the other hand were finding it harder to obtain access to public financial support, with respective figures being usually over 30%, reaching its peak of 69% in 2015 (SBAs 2012-2018). In relation to rejected loan applications and unacceptable loan offers (% of loan applications by SMEs), table 19 exhibits that Swedish SMEs had a lower chance and risk of seeing a loan rejected compared to EU averages; the figures were on average between 3-6% (with the highest 12% and 16%). On the other hand, the EU average for unacceptable loan offers for SMEs was 14-17%, improving since 2015 and reaching 5-9%. In Greece however, SMEs faced the harshest obstacles for receiving loans in the entire EU, as on average around 29-39% of Greek SMEs had their loan applications rejected or received a loan with unacceptable conditions, with 19% as the best performance in 2015 (SBAs 2012-2018). To illustrate further, in 2016, according to SAFE (2016), only 30% of Greek SMEs which applied for a bank loan managed to obtain the entire amount requested. This was the lowest in the entire EU, by contrast, Sweden performed slightly above the EU's average of 69%, as 70% of Swedish SMEs which applied for a bank loan received the entire requested amount. For Greece, the underperforming numbers related to problems of Greek SMEs with providing a required collateral (SAFE, 2016).

The positive figures for Sweden and harsh lending conditions in Greece, can be confirmed further by looking at the willingness of banks to provide a loan (% of SMEs respondents who indicated a deterioration). Table 19 portrays the positive attitude of Swedish banks, on average only between 6-10% of Swedish SMEs were reporting any perceived deterioration in bank willingness to provide credit, compared to between 11-26% for the EU peers average. In Greece however, between 32-51% of Greek SMEs were perceiving a deterioration in bank willingness to provide credit (SBAs 2012-2018). This unwillingness of Greek banks to lend causing liquidity issues for SMEs, was underpinned by high level of non- performing loans which exacerbated the pressure on Greek banks' balance sheets (Nassr et al, 2016). When looking at the cost of borrowing for small loans relative to large ones (%), it can be seen that the cost of borrowing for small loans (up to EUR 1million) was on average 4% lower in Sweden, compared to the EU average (SBAs 2012-2017). In Greece, the interest rate differential between small and large loans was actually very conducive, the cost of borrowing for small loans (up to EUR 1 million) was more competitive than Swedish and EU averages. However, this was completely overshadowed by the interest rates in general which were rising to high levels during the crisis period, e.g 5.3% in 2016, which was the highest in the EU, making it expensive for Greek SMEs to borrow in general (SBAs 2012-2017). Additionally, during the investigated period, Swedish

SMEs enjoyed strong cash flow conditions, with the opposite being the case for Greek SMEs. Table 19 presents that Swedish SMEs were more likely to get paid on time than EU peers, total duration to get paid (days) was on average between 29-32 days for Swedish SMEs, compared to 34-53 days for EU peers. On the other hand, for Greek SMEs on average it took much more time to get paid on time, it varied between 73-115 days, which was often around double longer than in the EU.

The insights from my interviews on the finance dimension, correlate with existing findings on the lack of finance in Greece and sound availability of finance in Sweden. One of my Swedish interviewees claimed that:

"availability of sound finance to firms resulted from historically robust position of Swedish banks which resulted from solid macroeconomic underpinnings of the Swedish economy" (interview number 25)

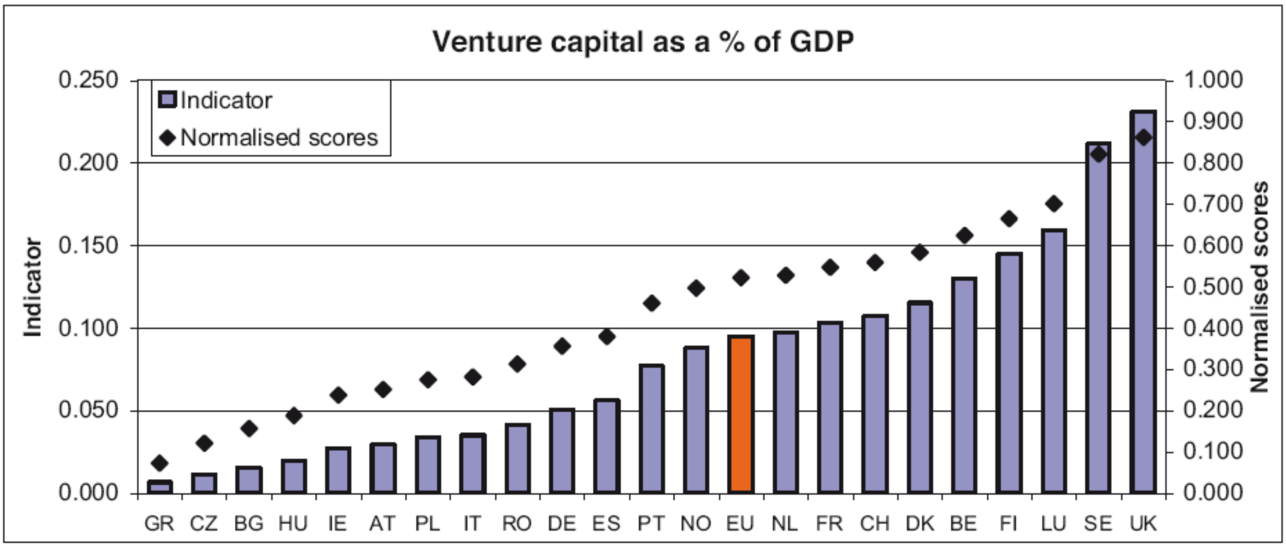
In addition to this quote, it can to be further argued that such robust access to finance was further strengthened by the successful bank related reforms whilst escaping from crisis in the early 1990s (see interview numbers 23 and 25). This correlates with the theoretical insights of chapter 1, especially the institutional coherence and superiority of exemplar varieties of capitalism i.e: LMEs and CMEs [e.g Amable 2003; Hall and Gingerich, 2004 (see section 1.2.4)]; and also illustrates the importance of 'path dependency' (see section 1.2.1) given that there is a positive continuation of finance availability in Sweden which is institutionally rooted in its capitalist model. In the case of Greece, my interviewees directed attention to economic mismanagement and crisis prone nature of Greece's economy, which eventually risks leaving Greek banks at precarious positions of insolvency and removes credit opportunities for domestic SMEs (see interview numbers 1 and 2). This connects to the theoretical conceptualisation of the Greek capitalist model as a DME type. It captures debt accumulation and reliance on external finance, which is enhanced by the fundamental features of the Greek model i.e clienteslim, rent seeking and state capture (see chapter 1 sections 1.2.2 and 1.2.4; and chapter 3 sections 3.2.1 and 3.2.3).

4.2.2 Domestic Financial Arrangements for SMEs.

The following sub section moves into more specific firm financing methods beyond traditional bank/credit based financing, by firstly looking at venture capital investments and then export/trade related financing. Hence this sub section investigates the strength of the financial realm of each variety of capitalism at the deeper level.

Venture capital is a form of risk financing and plays especially significant role for the delivery of risk finance for small and start- up firms which possess innovative products or services and would struggle to obtain bank financing (Nassr et al, 2016). As already noted in chapter 4 section 4.1.2, venture capital investments (% of GDP) in Sweden were on average outperforming EU peers, whereas in Greece this method of financing was highly underdeveloped. Using the 2007-2017 EIS data, it can be seen that venture capital investments (% of GDP) in Sweden varied in the range from 0.288% to 0.078% (however with a declining tendency), the EU average oscillated within 0.118%-0.062% (with a steady tendency) and in Greece they varied between non-existence of 0.000% to maximum of 0.010%. Figure 9 below illustrates the situation in a graphic manner, using EIS (2011) data which exhibits Sweden's strength and Greece's weakness (SE and GR symbols respectively) in Venture capital (% of GDP).

Figure 9



Vertical Axis – value (indicator and normalised scores).
Horizontal Axis- country

Source: EIS (2011)

Sweden

During the investigated period, Sweden was active within the venture capital realm. This was exemplified through merging two governmentally owned organisations in order to broaden the finance provision to SMEs, or through an agreement signed between the state owned actor- ALMI Företagspartner AB and the European Investment Fund which created InnovFin- SME loan guarantee agreement to fund Swedish early stage innovative firms (see interview number 29). Given that market based solution in the form of private venture capital can cause undersupply of required financial capital to young promising innovative firms (Lerner, 2002), the Swedish government has traditionally played an active role in the venture capital market in order to tackle the funding gap. For instance, between 2007-2014 there was a consistent increase in total amount of government venture capital investments (from 200 million SEK annually in 2007 to 1 billion SEK in 2013), overall the government venture capital accounted for 24% of total venture capital during that period, meanwhile however the private venture capital was decreasing (Tingvall and Engberg, 2017). Nevertheless, during that period, contrary to theoretical motivation, the government venture capital has not focused more than private venture capital on financing small, risky, early stage firms (i.e. seed financing), hence the seed-funding gap was not addressed sufficiently by the government venture initiatives (Tingvall and Engberg, 2017). During 2007-2014, the sectors which benefited most from the Swedish venture capital (both public and private) were: mostly ICT and life sciences (together accounting for 72%), followed by business and industrial products and services (Tingvall and Engberg, 2017).

Greece

In the Greek case, as mentioned, there was a striking shortage of risk financing, although there were attempts to tackle the situation. Public support programme such as JEREMIE initiative, was introduced in 2011, by Ministry of Development, Competitiveness and Shipping, in order to support micro and small enterprises, by stimulating private investor participation in venture capital financing, nevertheless the ambitious programme failed to reach a larger scale (see interview number 2). In the Greek crisis context when SMEs struggled to provide collaterals and positive cash flows needed for bank loan financing, venture capital funding would become helpful in mitigating these circumstances

(Nassr et al, 2016). Instead there were attempts outside of venture capital realm, in order to improve firm financing situation. The National Fund for Entrepreneurship and Development (ETEAN SA) in collaboration with banks provided loans to SMEs on favourable terms with low interest rates. Furthermore, in 2013, the Institution for Growth (IFG) was set up, which is an non-bank financial institution supporting growth by stimulating private sector financing, especially targeting SMEs with debt and equity financing. As part of IFG, in 2015, around 64.2 million euros have been provided to cover 238 accepted loans (SBA, 2015). Additionally, the guarantee fund for Greek SMEs was established through agreement between the Ministry of Development and Competitiveness and the European Investment Bank, in order to provide favourable loans for 1 billion euros to Greek banks available for lending to SMEs, as of 2014, 153million euros were distributed to Greek SMEs. Despite these actions, the financial support for Greek SMEs remained dire (as previously outlined), however these initiatives at least to some extent helped to mitigate the negative circumstances.

Export/Trade related Finance: Sweden

In relation to export and trade related finance available in Sweden, it is worth turning attention towards the two main export credit agencies, namely: Swedish Export Credits Guarantee Board (EKN) and Swedish Export Credit Corporation (SEK). The EKN is a public organisation under direct state management (commissioned by the government), designed to promote exports and firm internationalisation, by essentially enabling secure export transactions by insuring export firms and banks against the non-payment risk in export transactions, a guarantee from EKN is a form of Swedish state guarantee which has the highest AAA credit rating. Its services include various types of guarantees, such as short term supplier credits (up to 1 year- available guarantee for trade receivables), longer term credit periods (available guarantee for loss on claim for exporters), there are also contract guarantees, as well as guarantees for loss on production (interview number 30). As of 2013, EKN covered around 3% of Swedish exports, which is more than its counterparts in many other European countries such as UK or Germany (Jonsson and Almqvist, 2015). The number of SME customers of EKN services, has increased by 30% in 2014 compared to 2013 and as of 2015, Swedish SMEs constituted 48% of all business customers of EKN (Jonsson and Almqvist, 2015). The Swedish Export Credit Corporation (SEK) on the other hand, is the state owed organisation, where the state appoints a board member. SEK offers finance solutions for Swedish firms exporting goods and services, it often cooperates with other bodies such as Business Sweden and the previously mentioned EKN, for instance in order to organise workshops and events to target Swedish export companies (Jonsson and Almqvist, 2015). Apart from large firms, SEK's funding target audience includes medium sized firms from the SME category, primarily within the sales range between SEK 500 million- SEK 5 billion, however under certain circumstances smaller types of SMEs can also be considered for this organisations' funding. SEK offers competitive financial support, including short or long credit periods and as an alternative to floating and fixed market interest rates, SEK's clients can benefit from state-supported interest rate- the so called Commercial Interest Reference Rate (CIRR), essentially allowing funding for exporting firms at favourable fixed rate (Jonsson and Almqvist, 2015). Overall, the two Swedish government backed agencies (EKN and SEK) collaborate together and interact with commercial banks to create a robust export credit system. As mentioned by my interviewees, the strength of the Swedish export credit system also lies in it being well promoted nationally, with domestic SMEs well informed about the potential opportunities and robust system of coordinating help between these export credit institutions and domestic SMEs (see interview numbers 19 and 30).

Export/Trade related Finance: Greece

Greece has its own respective trade finance mechanisms available. Greek commercial banks tailor certain trade finance products for firms, including: discount financing, letters of credit or suppliers' guarantees. There are official programmes targeted at export oriented SMEs, where commercial banks collaborate with the Export Credit Insurance Agency (ECIO) in delivering export guarantees (on invoice credits) at a coverage rate of 80% per invoice, with insurance amount of 0.5 million euros per exporting firm (Nassr et al, 2016). The approval of the guarantee programmes is higher than for direct loans (OECD, 2015d). Furthermore, the European Investment Bank (EIB) has come to Greece's rescue in its crisis period, by launching the trade finance facility in 2013. This programme in order to mitigate the risk of non- payment or default, offers 500 million euros in guarantees to foreign banks, essentially covering 85% of their risk vis-à-vis their Greek counterparts for trade finance instruments such as letters of credit (Nassr et al, 2016). The motivation here is that international banks involved in trade finance with Greece will gain more confidence in Greece and Greek SMEs, due to these mitigations of systemic and transaction risk. These trade finance instruments have four months as the average term, hence can be applied three times during year and can potentially support transaction volume of up to 1.5 billion euros on annual basis. However, the main problem in Greece with the export credit system as a whole during the investigated period, was the low coverage (i.e. take up) of these mechanisms by SMEs. Loan guarantee schemes decreased by 50% in 2012 and in 2014 the granted guarantees only represented 0.0023% of GDP (Kraemer-Eis et al, 2015), Greece in fact was the lowest in Europe in terms of liquidity support benefited from guarantees as of 2015 (Nassr et al, 2016). My interviewees emphasized that such low absorption of the available schemes, is related to the lack of awareness about the existence of these schemes, inabilities to successfully pass the application process, weak implementation of these schemes, as well as poor financial education among SME owners (see interview numbers 5 and 12).

Overall, whilst analysing the financial realm of each variety of capitalism, the second section of chapter 4, has examined another part of the puzzle related to the overarching question of this whole chapter (i.e. the extent to which domestic institutional structures were supportive to functioning and exporting of SMEs). The empirical evidence provided in this section, indicates that domestic financial structures were strong and stable in Sweden, hence Swedish SMEs were surrounded by favourable financial circumstances, whereas Greece’s domestic financial structures were seriously weakened by the crisis context, meaning that Greek SMEs were operating within financially hostile environment. This was exemplified by differences in the finance availability criteria (access to public financial support, rejected loan applications/unacceptable loan offers, willingness of banks to provide a loan and total duration to get paid), with Sweden performing strongly on all of these dimensions, compared to Greece which substantially ranked behind the EU and Swedish averages. Both counties also differed in terms of deeper strength related to financial realm of their varieties of capitalism, with venture capital investments developed in Sweden (both at government and private level) and almost non- existent in Greece, showing inability of

Greece to diversify firm financing methods away from reliance on bank/credit based financing. Similarly, in relation to export/trade finance, despite availability of such schemes in both countries, Swedish export credit system could be seen as more robust and more effective in terms of targeting such support to SMEs, whereas available export credit schemes in Greece were characterised by low take up levels where not many SMEs benefited from them. In its theoretical terms, this second section, similarly to first section of chapter 4, contribute to the need of merging international business' IBV framework with the VoC approach. Essentially, availability of finance (an important institutional component of the IBV analysis) is not a neutral economic component but it is entwined within broader socio-political structures, and here, the VoC approach provides insightful context for understanding finance availability in both countries (for more details see overall conclusion of chapter 4).

4.3 Tripartite System and the State-Business Relations in the Economy.

Introduction

The following section is preoccupied with another area of Swedish and Greek variety of capitalism, namely tripartite relations (between the government, business associations and trade unions). A coherent system of tripartite relations as a form of corporatist interest mediation is of visible importance to the policy making realm (Fashoyin 2004; ILO 2013) and the importance of social dialogue between tripartite actors is promoted by the EU as one of the elements of its competitiveness agenda (European Commission, 2016). By extension, the argument proposed here is that an effective system of tripartite relations which takes into account the interests of key social partners (e.g business representations including SME interests) would be conducive to effective pro-SME socio-economic policy making in the context of global trade. As established in chapter 3 (see section 3.2.3), the Greek tripartite system is defined as 'disjointed corporatism' where social dialogue is problematic due to antagonism, mistrust and clientelism, all of which negatively impact on the process of interest mediation (Featherstone 2016). On the other hand, in Sweden, corporatism within industrial relations and interest mediation process is robust (Lindberg, 2014), however corporatism within decision making and policy processes have to some extent declined (Christiansen et al 2010; Lindvall and Sebring (2005) [see section 3.2.6]. The first sub section proceeds by first comparatively outlining the main Swedish and Greek tripartite actors (governments, business associations and trade unions) relevant to the 2007-2017 period and subsequently shedding light into the nature of social dialogue in both countries during the investigated period. Here, social dialogue will be analysed in relation to overall tripartite interactions, with only general references to the labour market, as one of the sections in chapter 5 will be concerned with labour market policy per se. The second sub section, investigates another dimension of variety of capitalism, namely the role of the state in the economy. It examines specific state-business interactions in both countries in the form of state aid, public procurement and product market regulations, with implications for SMEs.

4.3.1 Social Dialogue and Industrial Relations within the Tripartite System: Tripartite System Actors

At the level of government actors, Sweden between 2007-2017 was enhanced by political stability with one change in government during the period, in Greece the political scene was fragmented and underpinned by regular changes in the governmental power. In Sweden, between 2006-2014, the centre right Moderate Party was in power with Prime Minister (PM) Fredrik Reinfeldt, forming an alliance for Sweden (centre right political alliance). After serving two terms in office, the right wing coalition was replaced in 2014, with centre left Social Democrats who subsequently ruled Sweden under PM Stefan Löfven. In Greece, between 2004-2009, the centre right New Democracy (ND) party remained in charge under PM Konstantinos A. Karamanlis, subsequently the political instability began. Since 2009, the centre left, Panhellenic Socialist Movement (PASOK) under PM George A. Papandreou led the country, however lasted only 2 years until 2011, this was followed by national unity government (involving uneasy coalition between ND and PASOK) under independent PM Lucas Papademos. Subsequently, another change occurred, since mid-2012 until the early 2015, PM Antonis Samaras from ND ruled in Greece (in another uneasy coalition with PASOK). Finally in 2015, the far left Syriza party came into power elected on an anti-austerity platform. Overall, the political stability and strong governments in Sweden during that period were conducive towards building social dialogue and effective tripartite relations (see interview number 22). However, in Greece the political volatility, combined with uneasy political coalitions, contributed to problematic situation within social dialogue and tripartism (see interview number 5).

At the level of business associations, both countries have their respective business interest organisations. In Sweden, the most influential business association is Svenskt Näringsliv (The Confederation of Swedish Enterprise), it represents 49 member organizations and 60,000 member companies, whilst almost all Swedish multinationals are part of the organisation, only 1.5% of its members are the companies with more than 250 employees, the rest of members are micro firms and SMEs. Svenskt Näringsliv has an SME Committee, dedicated for lobbying for SME interests, furthermore it also has linkages with the EU level business organisations i.e. Business Europe. Another Swedish business organisation worth noting, is Almega, which represents solely service oriented businesses, it incorporates over 11,000 member firms and operates under umbrella of Svenskt Näringsliv. Additionally, there's also Företagarna, it is less influential than Svenskt Näringsliv in influencing public policy domain, however it is of importance especially to small size SMEs which need some association, it represents interests of around 70,000 business owners. In Greece, companies are split to organise into three main business associations: the Hellenic Federation of Enterprises (SEV), the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) and the Hellenic Confederation of Commerce and Entrepreneurship (ESEE). SEV is the largest business organisation in Greece, representing mainly larger businesses and medium sized firms. SEV however also holds the SME forum which is used to promote policy proposals and initiatives of direct importance to SMEs. At the European level, SEV, is part of Business Europe. GSEVEE is a cross sectoral federation which is oriented specifically towards representing SMEs. It incorporates 90 federations, and acts as an important social partner which co-signs the National General Collective Agreements, at the European level, it is connected to UEAPME. Finally, ESEE is also dedicated towards representation of SMEs, it consists of 14 federations and 283 commercial associations, its presence in business organisations at the European level reaches UEAPME and EuroCommerce.

At the Trade Unions (TUs) level, both countries strikingly differ in the level of trade union density, which in Sweden was around 70% as of 2016, albeit with a declining tendency since 2007 when it was 77% (ETUI, 2016), whereas in Greece the trade union density stood at around 20% as of 2017, these figures were stable during the investigated decade (ETUI, 2017). In Sweden, the main TU body is the Swedish Trade Union Confederation (LO) which organises solely the blue collar workers, it represents around 1.7million members and is officially closely aligned to the Swedish Social Democratic Party. White collar workers on the other hand are affiliated to the Swedish Confederation of Professional Associations (SACO) which around 586,000 members, or more often to the Swedish Confederation of Professional Employees (TCO) which represents around 1.2 million members. In Greece, there is one most dominant TU actor, namely the General Confederation of Greek Workers (GSEE). GSEE consists of 62 union federations and represents around 450,000 members, its coverage includes mainly private sector workers and employees in undertakings under public control. The feature which differentiates both countries is that in Greece, GSEE has very little influence in reaching to the private sector SMEs (ETUI, 2017), whereas in Sweden, the strong organisational capacities of Swedish central and local TU branches helps to organise workers including within some SMEs (ETUI, 2016), hence Swedish SMEs are more likely to be covered by collective bargaining agreements than their Greek counterparts. Nevertheless, my interviewee pointed towards rather negative general attitude of Swedish TUs to SMEs per se, as in practice, it is much easier to organise workers under collective bargaining arrangements in large companies rather than in SMEs (especially small size SMEs which are not labour intensive)[see interview number 31).

Industrial Relations and Social Dialogue during 2007-2017.

In general terms, there are three main components which influence the quality of tripartite social dialogue: economic context, political conditions and national institutions (European Commission, 2016). Whereas in Greece, all three components contributed to weak and fragile social dialogue, especially post 2010 (see interview number 9), in Sweden despite challenging economic context post 2008 crisis, the institutional and political dimensions proved to be resilient and provided robust social dialogue (see interview number 22).

Social dialogue in Sweden during the investigated period was well institutionalised with regular consultations in the context of employment and social policies, with solid representation of social partners (employer and TUs) in commission inquiries and parliamentary and government committees (European Commission, 2016). For instance in the context of the 2008 crisis, Swedish government enhanced and promoted cooperation with stakeholder social partners such as Public Employment Service. Another example of institutionalised social dialogue would be the 2011 tripartite talks regarding the problem of high youth unemployment (see interview number 31). Meanwhile, the Swedish industrial relations are bipartite (involving employers and unions), given high union density and collective bargaining coverage, there is an institutionalised environment which rests on negotiated bipartite arrangements (European Commission, 2016). Within the international standards, the Swedish bargaining model is centralised and coordinated, despite certain decentralisation attempts, the model maintained its two-tier nature, where bargaining is firstly conducted at the industry/sectoral level, and then at the company level (Guardiancich and Molina, 2016). The collective agreements during the investigated period did not result in wage cuts but rather wage moderation dynamic (see interview number 27). The slowdown in growth of labour costs helped to mitigate the negative effects of crisis on output and employment, the wages were still however at relatively decent level, with 3.3% and 2.5% increases in the rate of wages for the whole economy in 2009 and 2010 respectively and stayed within the range of 2.5-3% increases during 2010-2013 (Swedish National Mediation Office, 2015). These wage dynamics illustrate the willingness of both sides of industry to share the burden from recession. The major sticking point involving government and social partners during the investigated period was the 2007 reform of the Unemployment Insurance (UI) system which is part of the Swedish Ghent system under which TUs manage the unemployment schemes, funded by payroll taxes and by fees paid by members. The reform reduced the generosity of UI system (fall in income replacement rates) and modified the financing of UI (increasing individual monthly contributions), with an aim to incentivize jobseeker's work incentives. It was this reform which resulted in drop in union density numbers, however in 2014 the reforms were essentially reversed (Guardiancich and Molina, 2016). Generally speaking, the investigated period did not have a negative impact on Swedish industrial relations which can be exemplified by industrial peace with very low level of strikes (Guardiancich and Molina, 2016), also the work conditions remained decent with no working time or work intensity adjustments and in fact growing work satisfaction (Anxo, 2013).

In Greece, social dialogue and industrial relations were much more conflicting. Between 2007- 2010 period there was relative consensus among the key social partners regarding actions needed to revive the economy, however the post 2010 period was characterised by conflicts and disagreements in the context of Troika's bailout (see interview number 2). Prior to 2010, the Greek collective bargaining agreements (CBA) were conducted at the national, sectoral/ occupational, or company level, with the general national collective agreement (EGSEE) negotiated every two years between social partners. As part of EGSEE, TUs and employer's organisations negotiated the minimum employment conditions and national minimum wage which was then ratified by the state as statutory requirement (ETUI, 2017). The post 2010 debt crisis reforms (centered around 'internal devaluation' based on reduction of labour costs, drastically weakened that bargaining structure and limited the role played by social partners (see interview number 5). Consequently, following the 2010 and 2012 bailouts, the nominal minimum wages were cut by 22% in the private sector (32% cut for under 25s), the extension of CBAs have been suspended, the possibility of non-TU representatives signing agreements was introduced, and the role of EGSEE has been totally restricted (ETUI, 2017). Furthermore, rapid decentralisation of collective bargaining has been made mandatory with predominance of company level agreements over sectoral/occupational arrangements. This was associated with the rise of collective agreements concluded through 'associations of persons' formed by at least five employees, such agreements were more likely to accept wage concessions (Papadakis and Ghellab, 2014). In the early stages of post 2010 period, similarly to TUs, Greek business associations took critical position towards austerity inspired general wage cuts, as they argued that consumer demand is vital for economic and employment recovery (Papadakis and Ghellab, 2014). As time progressed, division within business associations grew, SEV happily accepted that they were no longer needed to set the national minimum wage, they also started to tolerate the wage cuts and labour market deregulations, whereas ESEE and GSEVEE maintained their concerns about precarious industrial relations (see interview number 4). This division can be explained by that fact that SEV represents more the larger firms, whereas ESEE and GSEVEE is dedicated to SMEs which are not labour intensive hence their potential gains from wage cuts are limited (Papadakis and Ghellab, 2014). Overall, the social dialogue in Greece has been limited due to the externally imposed nature of Troika's reforms, provided as technocratic objectives which constrained the options of key social partners for domestic deliberation (Papadakis and Ghellab, 2014).

4.3.2 The role of the state in the economy: State-Business Relations

Whilst staid aid did not have a significant impact on SMEs in both countries as highlighted in SBA Fact Sheets (2012-2014) and in my interviews; public procurement is a form of state-business relation which had such importance to SMEs. Essentially, public procurement is a mechanism by which government and public authorities obtain goods and services from companies; public procurement is also regulated by the EU and WTO, meaning that certain thresholds cannot be violated. During 2007-2017, Greek SMEs were highly participating in public tenders and according to SBA figures, they were highly likely to receive public contracts (SBAs, 2012-2018). On the other hand, Swedish SMEs in 2013 and 2015 were also relatively highly competing in public tenders (much less so in 2017), however the figures show low portion of total public contracts which was awarded to SMEs, meaning that Swedish SMEs were less successful than Greek ones in winning public contracts. Additionally, we should look at payments from public authorities. Table 20 below, exhibits the average delay in payments from public authorities (in days), it can be seen that Greek SMEs had to wait much longer to get paid (especially between 2011-2014) than EU peers and significantly longer than Swedish SMEs (3-7 days on average). Overall, Swedish authorities maintained excellent record of paying SMEs on time. The delays in Greece were caused by the debt crisis and tight public finances which forced public authorities to delay payments in order to mitigate their financial positions (see interview number 9).

Table 20

Average delay in terms of payments from public authorities (in days). Annually	**Sweden**	**Greece**	**EU Average**
2011	7	66	25
2012	7	114	28
2013	6	109	28.05
2014	7	105	27.92
2015	3	14	12.52
2016	4	24	10.73
2017	4	23	9.27

Source: SBA Fact Sheets (2012-2018).

The main form of state-business relations analysed in this chapter is the realm of product market regulations. This relates to broadly understood ‘market institutions’ (Pelkmans et al, 2008), namely the collection of state imposed rules and regulations which manage the operations of markets (businesses); where low quality and overly extensive regulations are usually correlated with inefficiency and bad economic outcomes (Edquist and Henrekson, 2013). Both countries differed on the product markets scale, whereas Sweden was rather deregulated in strategic areas and surrounded within favourable regulations (Edquist and Henrekson, 2013), Greece was a heavily regulated and mis-regulated market (Katsoulacos et al, 2015). The overall performance of Sweden and Greece during the investigated period, regarding ‘goods market efficiency’ is shown below in table 21.

Table 21

Goods Market Efficiency Rankings: Yearly	**Sweden (rank in WEF)**	**Greece (rank in WEF)**
2008	7	64
2009	4	75
2010	5	94
2011	7	107
2012	12	108
2013	12	108
2014	17	85
2015	17	89
2016	11	89
2017	14	93

Source: World Economic Forum data (2008-2017)

It can be seen that Sweden's product markets were in general among the most efficient in the world, ranking in top 10 between 2008-2011, and just outside of top 10 between 2012-2017. By contrast, Greece was consistently far behind, frequently with a declining tendency. In order to unravel these discrepancies, the two main sub components of goods market efficiency can be looked at, starting with 'effectiveness of anti-monopoly policy'. It can be seen in table 22 below that Swedish anti-monopoly policy was among the best world performers, consistently ranking in top 10, whereas Greece trailed far behind with a declining tendency.

Table 22

Effectiveness of Anti-Monopoly Policy: Yearly	**Sweden (rank in WEF)**	**Greece (rank in WEF)**
2008	4	50
2009	2	59
2010	1	72
2011	1	83
2012	3	91
2013	3	92
2014	10	92
2015	9	104
2016	1	97
2017	4	81

Source: World Economic Forum Data (2008-2017)

Similarly Sweden performed better than Greece in terms of 'intensity of local competition' which can be seen in table 23 below.

Table 23

Intensity of Local Competition: Yearly	**Sweden (rank in WEF)**	**Greece (rank in WEF)**
2008	14	52
2009	20	68
2010	5	77
2011	10	82
2012	22	95
2013	23	87
2014	41	71
2015	33	68
2016	22	73
2017	25	71

Source: World Economic Forum data (2008-2017)

The lack of effective competition was at the core of Greek product market problems. As framed by one of my interviewees:

"the competitiveness of Greek product markets prior to 2010 reforms was manifested through rigid protections and barriers to entry for firms" (interview number 1).

Due to the distortions stemming from these protective regulations, especially new and existing SMEs were unable to compete fairly as articulated by one of my interviewees. These barriers to entry were caused by excessive and low quality of regulations, closed and protected professions and inefficient implementation of regulations such as competition law (Katsoulacos et al, 2015). In some service sectors, starting an SME in Greece, was stifled due to protected nature of some professions (such as legal, accounting, engineering, architectural, construction and retail services) generating barriers to entry into these markets (see interview number 7). In practice, the government's regulations (such as fixed number of licenses, geographical restrictions, or setting of compulsory minimum fees), applied to certain professions and posed restrictions for new firms, limiting market opportunities (see interview number 6). The aim of Troika's reforms to remove some of these distortions at the protected services was conceived as muted and limited on the ground (the firm level) despite positive changes announced on paper post 2010 as argued by my interviewees (see interview numbers 10 and 17). Essentially, the entire area of product markets and limitations of its reforms, need to be understood with the theoretical frameworks utilised in this thesis. Firstly, my interviewees argued that at the deeper level, Greece's product market distractions resulted from lack of competitiveness culture and lobbying from vested interests e.g certain professions and sections of capital who wanted to retain the status quo (see interview numbers 3 and 8). This finding connects to the importance of informal institutions (such as culture) [see chapter 1 section 1.2.1], as well as clientelist and rent seeking features of the Greek VoC manifested through lobbying mechanisms (see chapter 1 section 1.2.4 and chapter 2 section 2.2.3). In terms of product market reform outcomes, my interviewees justified its limitations by arguing that there was a weak enforcement and implementation in the context of resistance to liberalisation from previously protected groups (see interview numbers 8 and 10). This finding also connects to theory as it exhibits a continuation of negative trends (see chapter 1 section 1.2.1 for path dependency) such as state capture and limited reform capacity of the state (i.e features of Greek capitalist model, see chapter 1 section 1.2.4 and chapter 3 section 3.2.3). At a more holistic level, product market distortions, interacted together with business environment limitations and lack of finance (see part 1 and 2 of chapter 4) and formed negative institutional complementarity (NIC) (see chapter 1 section 1.2.1 for NICs), which could be referred to as 'business operations NIC' (for more details see overall conclusion of chapter 4).

As manifested in the above rankings, Swedish product markets were much more robust compared to the Greek counterpart. The only major issue of Swedish product markets listed by my interviewees was the 'state control' dimension (especially regarding public/direct ownership and control of enterprises) which was high in the international standards (see interview number 28). However, in general, the barriers to entry were low (with positive impact on Swedish SMEs); in many sectors such as energy, transport, and especially in professional services and retail trade Sweden was highly deregulated ensuring fair and intense competition (see interview number 20 and 23). As argued by my interviewees, the strength of contemporary product market realm in Sweden was underpinned by successful reforms of the 1990s (see interview number 25 and chapter 3 section 3.2.4). This can also be understood in the theoretical context, essentially, we can see institutional superiority on the product markets realm and it connects to the robustness of exemplar capitalist models i.e LMEs and CMEs (see section 1.2.4); and also illustrates the importance of 'path dependency' (see section 1.2.1). Moreover, from the point of view of functioning and operations of Swedish SMEs, a positive institutional complementarity has emerged (see chapter 1 section 1.2.1 for institutional complementarities). In practice, product market realm formed institutional complementarity with the business environment and finance accessibility dimensions analysed in parts 1 and 2 of chapter 4; essentially, forming 'business operations' institutional complementarity. In turn, this also has implications for the overall conceptualisation of the Swedish capitalist model and for the VoC literature on the distinctiveness vs hybrid nature of capitalist models (see chapter 1 section 1.2.2). These points will be further elaborated in the overall conclusion of chapter 4.

In conclusion of this section, we need to return to the overarching question of chapter 4, namely the extent to which the domestic institutional framework was supportive to the overall functioning and internationalisation/exporting of SMEs. At the level of social dialogue and interest mediation within tripartite institutions, the specific political-economic contexts (i.e. different degrees of political volatility and degrees of economic crisis severity) produced divergent processes of social dialogue. Whereas Swedish social dialogue was robust and cooperative in the fields of industrial relations, in Greece social dialogue was limited and severely constrained by externally imposed bailout, producing antagonism within industrial relations. As a result, the tripartite framework and social dialogue process in Sweden was visibly more supportive for SME interest representation and pro-SME policy making in the context of free trade, compared to the Greek case. The state-business relations, were also more positive in Sweden than in Greece. Within public procurement, although Greek SMEs were participating more than Swedish SMEs in public tenders and were more likely to win such public contracts, they had to wait much longer than Swedish peers to get paid from public authorities. In terms of product markets efficiency, Sweden outperformed Greece visibly, creating more fair and competitive market for SMEs to function in; by contrast in Greece barriers to entry and product market distortions created problematic operational climate for its domestic SMEs. In its theoretical terms, this section similarly to the previous two sections of chapter 4, further enhance the need of investigating IBV related insitutional components i.e product markets, in the broader context, utilising insights from the VoC approach (for more details see overall conclusion of chapter 4).

Conclusion

In the final analysis, in response to the overarching question of chapter 4, it can be argued that the Swedish macro level domestic institutional framework was largely supportive for the overall functioning and exporting of SMEs, whereas the Greek one contained deficiencies and underperformed on each institutional dimension compared to the Swedish counterpart. More specifically, within business environment, the regulatory and administrative rules were more conducive for doing business and embracing trade in Sweden compared to Greece, whereas the Greek innovation system lagged behind its Swedish counterpart. Within financial realm, Greek SMEs were constrained in terms of availability of bank loans, as well as risk financing (i.e venture capital) and were not benefiting sufficiently from trade finance; by contrast, Swedish peers had stable and widespread access to all these financing mechanisms. Within tripartite relations, in Sweden social dialogue and industrial relations were stable and underpinned by cooperative nature, whilst in Greece these were problematically volatile and underpinned by conflicting nature. Furthermore, Swedish product markets were robust, with market opportunities for domestic SMEs, by contrast Greek product markets were distorted due to regulations which generated barriers to entry for SMEs.

These institutional components will be now conceptualised in the co-existence to each other. Generally, the Swedish variety of capitalism, produced a highly competitive institutional matrix for domestic SMEs, which was underpinned by well-functioning institutional complementarities between the three analysed spheres. By contrast, the Greek variety of capitalism, generated weakly competitive institutional arrangement for domestic SMEs, containing of institutional obstacles which together formed NICs.

The Swedish institutional complementarities (see chapter 1 section 1.2.1 for institutional complementarities) interacted well, for instance in relation to start-ups and young Swedish SMEs, as well as their general functioning. At a starting point, Swedish SMEs were able to enter into various sectors due to competitive product market regulations which did not generate unnecessary barriers to entry. Moreover, such young and start up Swedish SMEs were able to establish their operations due to conductive administrative climate ('starting business' dimensions), they were also likely to receive financial support for their business activities ('willingness of banks to provide a loan' dimensions) and finally these conducive policies were on the radar of business associations as part of tripartite consolations. This example illustrates how specific elements from three analysed institutional realms (business environment, finance, tripartite relations/product markets) added up to a coherent institutional complementarity which supported start-ups and existence of young Swedish SMEs. In relation to Swedish exporting SMEs, the institutional complementarities were also well functioning. At the business environment level, the 'trading across borders' dimensions were very conducive for embracing exports, those export oriented SMEs were also likely to benefit from robust export credit/trade finance mechanisms and finally, at the tripartite side, business associations such as Svenskt Näringsliv with its SME committee offered specialist support for export oriented firms. Nevertheless, the higher value added activities area of the Swedish variety of capitalism may be the realm which potentially lacked an institutional complementarity. Whilst at the business environment level, Swedish innovation system was robust with strong inputs dimensions (enabling factors and firm activities), the tripartite actors (especially governments and business associations) were supportive towards Swedish upgrading within GVCs, the financial realm however contained some limitations. For instance young innovative but highly risky Swedish SMEs struggled with funding, as the governmental venture capital did not sufficiently address the seed funding gap for these type of SMEs. Overall however, the Swedish institutional matrix was highly competitive with visibly well-functioning institutional complementarities, which could be referred to as 'business operations institutional complementaries'.

Moving on to the NICs [see chapter 1 section 1.2.1 for NICs] in the Greek capitalist model, the institutional puzzles were simply inadequate and lacked coherence in creating a competitive structure for domestic SMEs. For instance, in relation to starts ups and young Greek SMEs, as well as their general functioning, at a starting point, SMEs struggled to enter into certain sectors due to barriers to entry resulting from product market distortions.

Furthermore, at the business environment level, the ‘starting business’ dimensions was bureaucratic and lengthy (especially in the first half of the investigated period). Those Greek SMEs which managed to establish their operations were further restricted by the lack of financial support (‘willingness of banks to provide a loan’ dimensions), whereas at the tripartite side there was political volatility in terms of changing governments, which was unconducive towards stable policy agenda. As illustrated by my interviews and argued within respective sections of this chapter, despite some ‘formal’ improvements within business environment (e.g starting business criteria) and product markets post 2010 reforms; on the ground (firm level) the changes were limited due to remaining informal obstacles. Moreover, the other institutional obstacles i.e. lack of finance and tripartite relations volatility all remained problematic post reforms, meaning that overall, at very best, Greece’s NICs were less extensive in scope but still existed post 2010 reforms. Greek exporting SMEs also faced similar institutional hurdles, which operated as NICs within the Greek capitalist variety. At the business environment level, the ‘trading across borders’ dimensions, lacked competitiveness in relation to exports, whereas the financial realm was not particularly helpful towards export oriented SMEs; despite existence of trade finance/export credits not many SMEs benefited from these mechanisms. Additionally, business associations at the tripartite side were not particularly preoccupied with lobbying on trade specific matters during that period but were mainly concerned with industrial relations and wage cuts controversies. Similarly, the higher value added activities realm of the Greek variety of capitalism was underpinned by limitations. At the business environment side, the Greek innovation system was surrounded by many deficiencies (especially on R&D spending in both public and business sector) but even if these innovation system obstacles were eliminated, there would lack of complementarity with the financial side, given the total lack of specialised finance such as venture capital for innovative but risky Greek SMEs. Overall, Greek capitalist model was characterised by NICs which could be termed as ‘business operations NIC’.

At the theoretical level, this chapter has presented fruitful intellectual benefits that can emerge from inter-disciplinary synergy between the IBV approach (see chapter 1 section 1.1.5) and the VoC perspective (see chapter 1 section 1.2.1); essentially merging framework utilised in IB with political economy insights. As a starting point, the chapter has utilised the IBV’s conception that institutions matter for the functioning and exports of SMEs, however it has enriched the understanding of such institutions (namely business environment, financial support availability, product markets) with the VoC insights by analysing such institutions in a broader capitalist variety perspective. This analysis illustrated that all of these mentioned institutional dimensions are not neutral economic components, but rather they are entrenched within broader socio-political structures intrinsic to a given capitalist model. These socio-political structures relate to culture (norms and habits) in terms of social aspects, as well as corruption, clientelism and rent seeking in terms of the political side. It has been presented, that institutions follow path dependent nature. For instance, either through continuation of positive trends as in the case of Swedish VoC and its positive path dependence in terms of conducive business environments, accessibility of finance, stable tripartite relations and robust product markets; or through continuation of negative trends as in the case of Greek VoC where all of these institutions were dysfunctional and resistant to change due to their path dependent nature. The understanding of this resistance to institutional change (i.e to reforms), was also illustrated using the VoC framework, where in the case of Greece it has been presented that clientelism, rent seeking and state capture were deeply embedded features of Greek VoC which essentially inhibited institutional change within business environments and product markets. By contrast, in the case of finance, it has been presented to the IBV literature, that consideration of external-contextual aspects matter for the analysis of this institutional component, as essentially finance shortages to Greek SMEs stemmed from dependent nature of the Greek capitalist model. Finally, it has been presented to the IBV literature, in the conclusion of this chapter, that institutional components (in the case of this chapter: business environment, accessibility of finance, product markets) ought to be analysed in the coexistence to each other as done in the VoC literature. Through studying of these institutional interactions, we could observe 'business operations institutional complementarity' in the case of Swedish capitalist model, and 'business operations NIC' in the case of Greek VoC.

A similar, inter-disciplinary theoretical synergy, could be deducted from the second part of section 1 of this chapter, focusing on the innovation systems and upgrading processes. Here, there is potential for future research on the theoretical synergy between the IPE theory on GVCs and specifically its upgrading aspect (see chapter 1 section 1.1.2) and CPE theory on the VoC approach (see chapter 1 section 1.2.1). It has been presented that the understanding of efforts of domestic SMEs to upgrade within GVCs can benefit from capturing how domestic institutional structures affect these processes. For instance, the recognition of how national innovation systems and country innovation capacity is determined by its overarching capitalist model.

Moreover, in terms of theoretical contributions of this chapter to the CC literature, the existence of robust institutional complementarities in the Swedish CME type of capitalist model and NICs in the case of Greek DME type of capitalist model, were in line with the conventional theoretical conceptions of these two varieties of capitalism. Specially, they were in line with argument about institutional coherence of the CME model and institutional dysfunctions of other capitalist models outside the LME-CME dichotomy e.g the DME model. However, the chapter has shed more light into overall conceptualisation of the Swedish VoC. Essentially, contrary to some arguments expressed in the public domain, this chapter exhibited that Sweden (despite its occasional conceptualisation as social democracy or strictly a capitalist model with CME characteristics) possesses many economically liberal elements (typically associated with LMEs) within its variety of capitalism. This includes strongly pro-business environment in its regulatory, administrative and innovation domains, sound access to finance to firms, as well as robust and relatively liberalised product markets. It is too early, at this stage of the thesis to make bold claims about reconceptualization of the Swedish VoC (into an LME type), as dimensions from chapter 4 and 5 need to be first analysed, but overall analysis of the Swedish VoC will be provided in the extended conclusion of this thesis in chapter 6. Similarly, after data from other chapters will be analysed, extended conclusion in chapter 7 will contribute to the CC debates on the distinct vs hybrid nature of capitalist models and their effectiveness (see chapter 1 section 1.2.2). On this debate, so far this chapter presented that Swedish capitalist model contains strong LME elements, hence if we assume that it is overall still a CME model, we must recognize that it is very hybrid in nature (containing elements from two mainstream VoCs) and not purely or distinctively a CME type. As this chapter presented, such hybrid nature of the Swedish VoC produced overall economic effectiveness and hence could be considered as a strength [which corresponds to the finding of Campbell and Pedersen (2007) about strong performance of hybrid capitalist models- see chapter 1 section 1.2.2]. Regarding application of the DME model to Greece, which is a theoretical contribution of this thesis, this chapter illustrated how the dependency of the Greek capitalist model manifested itself. Finance was the sphere most affected by this dependent nature of the Greek variety of capitalism;

dependence on external financing contributed to debt, defaults and bailouts which then negatively affected the domestic firm financing mechanisms via banks to SMEs. Furthermore, such debt-default-bailout situations led to dependence on external political interference from e.g Troika which negatively impacted on the tripartite system, social dialogue and industrial relations. This dependency of the Greek variety of capitalism is changeable and mitigatable with the right set of policies and insitutional changes, however such reforms were not sufficiently embraced.

Finally, this conclusion aims to highlight the specific connection between domestic varieties of capitalism (with their internal competitiveness) and the external trade performance i.e. SMEs exports. This consideration is important in the context of intertwined EU's agendas on competitiveness and trade; and the research question of this thesis- investigating how the domestic setting affects SME export performance. Generally, the domestic institutional framework of the variety of capitalism, structure behaviour of SMEs and determine incentive structures; this in turn influence functioning of SMEs and their exports, as well as their potential upgrading within GVCs. Each institutional component of the variety of capitalism (analysed in this chapter) plays its respective role in either sending positive signals to SMEs (which incentives their activities) or alternatively sends negative signals which disincentives business behaviour and operations of SMEs. The findings, exhibited that in Sweden's capitalist model, institutional complementarities generated competitive climate and positive incentive structures for Swedish SMEs (in different stages of SME operations as previously analysed in this conclusion). By contrast, Greece's variety of capitalism with its NICs produced weakly competitive climate and weak incentive structures for Greek SMEs (in different stages of SME operations as previously analysed in this conclusion). As a result, the insitutional framework of the variety of capitalism matters for increasing the number of SMEs which embrace exports (by incentivizing export propensity and intensity). Here, the institutional structures of the Swedish capitalist model were conducive towards exporting Swedish SMEs, whereas the institutional framework of the Greek variety of capitalism was strongly inhibiting the export potential of Greek SMEs. Overall, in the context of the main research question of the thesis, this chapter has illustrated that conduciveness of domestic institutions towards competitiveness matters; and it has been presented how this mechanism (as part of the domestic setting) impacts on SME exports.

Chapter 5- Government Policy

Introduction

The previous chapter, analysed an institutional framework of the variety of capitalism, which represented the first intervening/mediating variable related to how the domestic setting impacts on SME exports. This chapter, turns its attention towards the second intervening/mediating variable, namely the government policy. This represents various governmental policy agendas within specific political economy realms, which are responsible for boosting internal country competitiveness related to SMEs in the context of free trade. The objective of chapter 5 is to answer the second operationalizable question posed in the conclusion of chapter 1, namely 'To what extent was the government policy conducive to functioning and exports of SMEs?'. Essentially, the goal is to test the extent to which the domestic political economy setting in Sweden and Greece was conducive towards competitiveness of SMEs (in the context of free trade). This question will remain in the background for the three sections covered in this chapter; drawing on the combination of all theoretical literatures defined in chapter 1. Most fundamentally, in order to analyse the role of government in Sweden and Greece, this chapter will draw on the conceptualisation of governmental role within each variety of capitalist (as done in the CC literature, see chapter 1 section 1.2.4), as well as governmental role in the context of GVCs, (as done in the GVC literature, see chapter 1 section 1.1.3). It will also utilise some institutional insights from the IBV theory (see chapter 1 section 1.1.5).

This chapter consists of three sections, each comparatively analysing specific realm of governmental policy in Swedish and Greek political economy during 2007-2017. The section one is exploring the trade policy in both countries (focusing on the official governmental trade policy and promotion agenda, as well as governmental industrial and pro-business strategies in the context of free trade, both in relation to SMEs). The section two is scrutinizing the labour market policy in Sweden and Greece (focusing on wages, employment protection legislation and labour skills with implications for SMEs). Finally, the third section is analysing the Swedish and Greek taxation policy (focusing on the general tax structure in relation to businesses and individuals and respective taxation issues in both countries of relevance to SMEs). All three of these policy dimensions are selected based on their importance to EU's competitiveness and trade agenda, but also given their theoretical importance (as defined in chapter 1), as well their importance to particular cases studies (as defined in chapter 3). These three distinct policy areas will be first analysed in isolation in each section and then conceptualised in the conclusion of chapter 4 as the holistic political economy arrangement of the Swedish and Greek governmental policy and investigated in relation to each other (in the context of the overarching question of this chapter). The conclusion will indicate whether the three realms of the Swedish and Greek governmental policy (trade, labour market, taxation) formed an effective and competitiveness oriented political economy environment in relation to the functioning and exports of SMEs.

5.1. Governmental Trade Policy and Promotion

Introduction

In line with competitiveness objectives of Lisbon agenda/Europe 2020, domestic governments ought to commit themselves to trade openness and export promotion (LME competitiveness elements) [James, 2012]. There is ample of research (e.g Feenstra, 1989; World Economic Forum, 2015) highlighting the importance of governmental trade policy agenda for the competitiveness of domestic businesses in the context of free trade; due to incentive it sends to businesses. Governmental trade policy is often related with industrial strategy (directed towards boosting competitiveness of the industrial goods and services sectors), and correlated with other pro-business initiatives. Additionally, export promotion agencies are identified as important players which can potentially have a positive impact on trade promotion and support given to businesses such as SMEs (e.g Lederman et al 2010; Volpe & Carballo, 2010). To recap from chapter 3, in Sweden, traditionally there was widespread political consensus in terms of embracing openness to free trade and export oriented governmental policies (Jakobsson, 2007) [see section 3.2.4]. By contrast, in Greece, trade was traditionally not the main priority given the inward/internal nature of the Greek economy, however this has changed since 2010 when trade and exports were promoted as fundaments of the Greek economic recovery (Böwer et al, 2014) [see section 3.2.1]. This section proceeds as follows: it starts by analysing the main trade policy documents of Swedish and Greek governments during 2007-2017 (as well as other related pro-SME specific policies) and then the section discusses the main export promotion agencies in both countries.

5.1.1 Government Level Trade Policy Agenda

Sweden

In Sweden, both the centre right coalition government between 2006-2014 and the centre left coalition government between 2014-2018, were broadly committed to embracing free trade and promotion of exports. Whereas, the centre right Moderate party focused mainly on provision of the necessary incentives and creation of conducive business environment for Swedish SMEs in order to stimulate their export activities, the centre left Social Democrats placed export driven growth of SMEs at the heart of their entire economic strategy (see interview number 30).

Since 2007, the Moderate Party led coalition government, was active in its support towards entrepreneurship, improving domestic competitiveness conditions for SMEs and enhancing Sweden’s research and innovation capabilities (Government Offices of Sweden, 2011). In terms of innovation, the research and innovation bill proposed for the 2009-2012 period, entailed substantial increase in state funding for R&D which was the largest funding increase made in any Swedish research and innovation bill. This bill also contained a strategic investments component focusing on investments in key areas such as medicine, technology and sustainability (Government Offices of Sweden, 2011). The commitment to innovation promotion was linked to the objective of increasing high value added exports (upgrading in GVCs). In terms of improving domestic conditions for SMEs, Moderate Party’s 2007 bottom-up regulatory approach to reduction of administrative burden on SMEs was a perfect example (see chapter 4 section 3.1.1). In terms of finance, under this coalition, in 2013, the measure was introduced specifically to support SMEs in developing products and services for the foreign markets, by providing up to 500,000 SEK for new product/service creation and up to 250,000 SEK for internationalisation, with co-financing of same amount needed from firms, in general this pro-export measure acted as a good incentive to make Swedish SMEs more export oriented (SBA, 2014). All of these governmental initiatives, were positively assessed by my interviewees, as it was perceived that the Moderate Party focused on strategically important areas for competitiveness boosting in the context of free trade i.e innovation, responsive administration and financial support (see interview numbers 19 and 24). Theoretically, the overall approach of the Moderate party, could be conceptualised as the ‘facilitator’ type of governmental role in the context of GVCs, e.g focus on providing a sound overarching business environment (see chapter 1 section 1.1.3).

The most comprehensive trade policy agenda with specific export strategy at the governmental level, was introduced in 2015 under Social Democrats coalition government. This export agenda produced by the Ministry for Foreign Affairs contained 22 action points and a budget of around 90 million euros until 2020, it aimed to increase the number of exporting firms (especially SMEs) in order to achieve an ambitious Swedish target of the lowest EU unemployment rate by 2020 (SBA, 2016; and see interview number 30). The export strategy official document declared to: increase Swedish exports to emerging markets, incentivize a greater number of SMEs to export, upgrade Swedish goods and services exports higher in the GVC ladder, enhance Swedish attractiveness to investment and commit to open multilateral trade system (Government Offices of Sweden, 2015). It consisted of 22 action points, with the main ones as follows: a new body called 'Team Sweden' (consisting of relevant agencies, ministries and organisations) was established to improve coordination of state support for exports. Furthermore, in order to increase Swedish exports to emerging markets, the government aimed to open new embassies and consulates-general in crucial target countries. Also, regional export centers with comprehensive knowledge and staff were established, in order to create a single point of contact regarding export advise. Moreover, a 'single window'- a digital portal related to export advice was established to bundle together the package of public sector export support, with information campaign to make SMEs aware of all the existing support. Moreover, the EKN and SEK (see chapter 4 section 4.2.2), were formally encouraged by the government, as part of this export strategy, to direct more financing and credit provision to SMEs (Government Offices of Sweden, 2015). Social Democratic government also announced smart industry plan- a strategy for new industrialisation (and upgrading in GVCs) produced by the Ministry of Enterprise and Innovation in 2016, focusing on both traditional industries and industrial services sectors. The core fundaments of the strategy are: Industry 4.0 (embracing the potential of digitalisation with industrial sector firms becoming digital transformation leaders), sustainable production (intensified resource efficiency and contribution of sustainable production to value creation of the industrial sector), industrial skills boost (upgrading skills of workers to meet the needs of the industrial sector) and Test bed Sweden (research and innovation investments in strategic areas relevant to new industrialisation and long term competitiveness) [Government Offices of Sweden, 2016]. My interviewees characterised this governmental agenda as promising but due to its long term nature, the assessment of success will be possible in the future (see interview number 19). Theoretically, the overall approach of Social Democrats, could be conceptualised more broadly than its predecessor. Here, apart from acting as a 'facilitator', there is evidence of governmental role as 'regulator' in the GVC context too, due to promotion and protection of particular business groups and sectors, e.g a more selective focus on industry per se (see chapter 1 section 1.1.3).

Greece

As previously mentioned, in the case of Greece, trade and export promotion became a top priority since 2010 in the wake of Troika's bailout. This resulted in a major official export strategy document released in 2012, under the New Democracy-PASOK collation government. The strategy, called 'National Trade Facilitation Strategy and Roadmap', covered ambitions for 2013-2015 period and aimed to transform Greece from an inward looking to an outward export looking economy (Hellenic Republic, 2012; and see interview number 12). The strategy entailed three main objectives: increase of Greek export base (through industry specific policies incentivizing Greek firms to offer internationally competitive goods and services), trade/exports promotion (through restructuring of state export agencies and their support for firms internationalisation, with an aim to reduce the trade deficit) and trade facilitation (through simplification of customs procedures and trading across borders criteria) [Hellenic Republic, 2012]. These goals, by extension, were underpinned by an objective to reform the public administration and its bureaucracy e.g through creation of 'Single Window'-an integrated information system (in the form of digital platform) for export and import activities (Hellenic Republic, 2012).

In 2016, the Greek government (as previously in collaboration with external Troika experts), released an updated export promotion action plan, which maintained commitment to the three main objectives stated in the previous 2012 plan. This was a response to existing problems of the Greek state apparatus within the export promotion realm. These problems related to the fragmented and reactive nature of the policy initiatives which lacked coherence and lacked capacity for effective monitoring and evaluation due to problematic functioning of the IEC -Inter Ministerial Extroversion Committee responsible for internationalisation of Greek economy through exports (GIZ, 2016; and see interview number 1). These issues were characterised by existence of gaps within: policy formulation (i.e. the lack of holistic agenda for state funded export promotion activities due to certain actors undertaking ad hoc measures without coordination with the relevant stakeholders, and due to IEC's hierarchical levels which limited effective decision making), gaps within policy coordination (i.e. lack of coordination mechanism needed for cooperation between different bodies and for monitoring and evaluation of the objectives) and gaps within integration of the private sector in these stages (i.e. lack of advisory role for the private sector at the IEC, and lack of single contact point to the government on export related issues) [GIZ, 2016]. Hence, the 2016 export promotion action plan, aimed to respond to some of these issues, with objective of enhancing knowledge and access to information for domestic exporters through creation of knowledge centre style internet platform, as well as through creation of synergy between public and private actors in export promotion activities (GIZ, 2016). From the theoretical standpoint, the acknowledgements of the 2016 export promotion plan about the enforcement difficulties of the previous 2012 plan (outlined above), illustrate weaknesses of the Greek state apparatus. These weaknesses can be explained through conceptualisation of Greek government within the DME capitalist model (see chapter 1 section 1.2.4). Here, activism of governmental apparatus is less coherent and more fragmented as in the exemplar capitalist varieties (i.e LMEs and CMEs, which explain lack of such enforcement problems in the case of Swedish export agenda). Moreover, deeper features of the Greek capitalist model are at play here, such as tendency towards bureaucracy and time consuming procedures (in this case evident in relation to enforcements of export strategy). This stems from clientelism, rent seeking and state capture; and correlates with weak reform capacity of the Greek governmental bureaucracy (see chapter 1 sections 1.2.2 and 1.2.4; and chapter 3 sections 3.2.1 and 3.2.3).

In Greece, there was a lack of robust industrial strategy per se at the governmental level during the investigated period, however there were relevant measures undertaken to support competitiveness of manufacturing industry in relation to trade. The most notable policy, initiated by the Ministry of Development, Competitiveness and Shipping was the 'Internationalisation-Business Competitiveness' programme launched in 2011, which then moved into its second stage in 2013. The objective of the programme was to stimulate the internationalisation of Greek firms (with special focus on SMEs and the manufacturing sector) and to upgrade the exports of Greek economy into products and services of higher added value (SBAs, 2012-2015). The plan had a budget of around 45 million euros which was available from the national Greek bodies and the European Bank for Reconstruction and Development. It was targeted mainly at existing manufacturing SMEs and big businesses collaborating with at least two SMEs (SBAs, 2012-2015). The funding was directed towards areas such as purchasing of equipment and infrastructure, ICTs, exhibitions, marketing, patenting and technology transfer, design of products, protection of intellectual property rights. The first phase of the programme benefited around 746 Greek businesses (SBAs, 2012-2015). Also, the 'Operational Programme: Competitiveness, Entrepreneurship and Innovation' (EPAnEK) started in 2014 and will remain until 2020. The programme which contains the public expenditure budget of 4.916 billion, aimed to strengthen the competitiveness and internationalisation of Greek firms, underpinned by innovation led quality entrepreneurship. The financing was directed to wide range of competitive and export oriented sectors of the Greek economy such as tourism, agri-food, ICT, materials and construction. In general, my interviewees, positively conceived these initiatives, however articulated that there was a need for a broader range of support and initiatives, beyond the focus on providing financial support (see interview numbers 5). Theoretically, in relation to the GVC literature, the overall approach of Greek governments resembled logics of Swedish Social Democrats, through practicing both 'facilitator' and 'regulator' roles (see chapter 1 section 1.1.3). The main difference was in the level of enforcement and state apparatus, which in the Swedish CME model was robust, by contrast it was more deficient in the Greek DME model where the state was a structurally ineffective/inefficient actor. The implication for the Greek state should not, however, be to increase its resources (which will likely create more bureaucracy) but instead to reform its system of organisation by using existing resources more effectively. Overall, this illustrates the interconnected nature of the GVC and VoC theories, as essentially governmental activism in the GVC context occurs within the domestic capitalist model which can impact on the implementation of this governmental activism. It also has to be remembered that the domestic capitalist model determines how various governmental roles related to GVCs will be received in the domestic socio-economic audience (especially within dominant socio-economic coalitions in the country). Conversely, this can also mean that such domestic socio-economic coalitions can influence the governmental agenda in relation to GVCs or set certain expectations for it.

5.1.2 Export Promotion Agencies

At the level of Swedish export promotion agencies, 'Business Sweden' is the main actor. It is responsible for supporting Swedish companies in their international business adventures, through strategic advice, operational support and sales execution. This export agency is owned by the Swedish government (represented by the Foreign Affairs Ministry) and the private business (represented by the Foreign Trade Association). It is difficult to assess the exact impact of export promotion agencies on helping Swedish SMEs in their internationalisation activities, however the study from Kokko et al (2015) was an attempt to tackle this question. In its sample size of 51 Swedish SMEs which exported to South Asia and the Middle East in 2013, only 8 firms used export promotion agency such as Business Sweden or other less influential agency. The study, illustrated that most interviewed firms heard of the existence of such export promotion agencies, half of surveyed companied used such agencies in the past, however due to experience of some of these companies in exporting, they did not require help from such agency at the current stage. The areas of potential improvement, which the surveyed SMEs highlighted in relation to export promotion agencies, was the quality and personal characteristics of such agents, need to extend marketing through internet and greater range of trade fairs and exhibitions as methods for customer contact (Kokko et al, 2015).

In Greece, the main Greek export promotion agency is called 'Enterprise Greece', it operates under the Greek state, specifically under the Ministry of Economy and Development. Enterprise Greece promotes investment to Greece, as well as Greek exports and outward nature of the Greek economy, by supporting Greek firms in their attempts to reach foreign markets; though exhibitions, conferences, events, marketing, trade centres, information and assistance. The functioning of Enterprise Greece was however not free from criticisms, especially in the early stages. It was subjected to low level of visibility and acknowledgement on behalf of stakeholders other than the Ministry of Economy and Development, it lacked adequate qualified staff required for temporary project basis work, lacked procurement procedures flexibility and monitoring and evaluating tools (GIZ, 2016). Importantly, Enterprise Greece lacked open communication channels with public and private stakeholders, regarding many of its programmed activities (mentioned above) which were not preceded by deliberations with all required stakeholders but rather carried in ad hoc manner (GIZ, 2016).

In the final analysis, we need to return to the overarching question of chapter 5 (the extent to which government policy in Sweden and Greece was conducive towards the functioning and exporting of their domestic SMEs). At the level of trade policy agenda, during the investigated period, both countries produced a detailed export promotion strategies, Greece in 2012 (updated in 2016) and Sweden in 2015. The substance of these trade policy agendas differed, with Greece placing main emphasis on improving trade facilitation i.e. reducing administrative burdens for exports (which was understandable given Greece's shortcomings in this area-see chapter 4), whereas Sweden placed main emphasis on increasing the numbers of Swedish SMEs in reaching external emerging markets. Greece also faced more problems in terms of implementation, as outlined in its updated 2016 export policy agenda. There were however some similarities too in the respective trade policy agendas, e.g both countries expressed commitment to helping their economies and firms to upgrade into higher value added activities within GVCs, moreover some of the undertaken initiatives were the same e.g the Single Window. Given that these trade policies are framed as long term visions, it is too early to assess their successes. However at the level of incentives creation, these were positive signals for competitiveness and for the domestic SMEs, nevertheless more muted in the Greek case due to execution difficulties.

At the level of export promotion agencies, both Business Sweden and Enterprise Greece operated with similar mandates, both of these bodies were active with their respective initiatives and formulated ambitious export promotion agendas. However as outlined, Enterprise Greece was subjected to some criticisms for shortcomings in its functioning and activities, whereas the role of Business Sweden was marginal in relation to Swedish exporting SMEs in the mentioned academic study, suggesting that there is scope for improvement in targeting the wide range of SMEs with its support.

Theoretically, the implication from this section relates to the need to study GVC related dimensions i.e governmental role in the context of GVCs, in the broader context i.e using insights from the VoC approach. Essentially, even though governments in two different countries (as Sweden and Greece in our case) may manifest similar agenda tailored towards export promotion and upgrading of domestic SMEs within GVCs; its capacity for high quality type of execution and enforcement of such objectives differs, due to the nature of government and its apparatus in a given capitalist model. Here, superiority of governmental activism in the CME capitalist model was contrasted with a more deficient governmental activism in the DME capitalist model. The GVC-VoC synergy in this context, will be elaborated further in the overall conclusion of chapter 5.

5.2 Labour Market Arrangements and Policies

Introduction

The following section is preoccupied with the Swedish and Greek labour market and its competitiveness in the context of free trade. The academic literature is rich in publications highlighting the importance of the labour market factors towards supporting free trade, for instance correlations between unit labour costs and firm exports (e.g Carlin et al, 2001; Decramer et al, 2014), or between employment protection and labour flexibility and export performance (e.g Salas,2018). The labour market competitiveness itself was profoundly manifested within the Lisbon/Europe 2020 agendas, emphasizing labour market flexibility and wage moderation (LME elements) and enhancing of knowledge by investment in education, skills and training (CME elements) [James, 2012]. This section will investigate the key components of the labour market realm in Sweden and Greece with competitiveness implications for their domestic SMEs. The first sub section looks at wages, productivity, unemployment and internal demand, as well as skills of labour. The second sub section explores employment protection legislation in the form of firing and hiring practices. In general, during the investigated period, the Swedish labour market, as a whole, was more efficient than its Greek counterpart (see table 24 below illustrating both countries in the WEF ranking on the labour market efficiency criteria). However, when investigating individual labour market components, it will be shown that not only the Greek but also the Swedish labour market contained some problematic aspects for domestic SMEs.

Table 24

Labour Market Efficiency	**Sweden (Rank)**	**Greece (Rank)**
2008	26	116
2009	19	116
2010	18	125
2011	25	126
2012	25	133
2013	18	127
2014	20	118
2015	20	116
2016	18	114
2017	20	110

Source: World Economic Forum Competititnvess Reports (2008-2017)
Note: Labour Market 'Efficiency' according to WEF is related to e.g matching of workers with the suitable jobs for their skillset, productivity of human capital, labour market flexibility, active labour

market policies, skills of the workforce (training of employees, attraction of talent and retaining of skilled people).

5.2.1 Labour Market Outlook: Wages, Productivity, Unemployment, Private Consumption and Labour Skills.

Starting with the wage trends, table 25 below illustrates the average wages (private and public sector combined) for both countries calculated by the OECD (expressed in US$). These average wages were significantly higher in Sweden compared to Greece, with a stable moderately increasing tendency in the Swedish case, whereas in Greece there was a declining tendency, especially post crisis.

Table 25

Average Wages Annually (US dollars)	**Sweden**	**Greece**
2007	39137	32740
2008	39679	32246
2009	39938	33762
2010	40175	31510
2011	40681	29445
2012	41581	28108
2013	42016	26290
2014	42444	26803
2015	43159	26585
2016	43736	26506
2017	43987	26486

Source: OECD, available at: https://data.oecd.org/earnwage/average-wages.htm

In Greece, the Troika's bailout in 2010 suspended collective wage bargaining and implemented changes in setting of the minimum wage, as a result in 2012, the minimum wage was cut by 22% in the private sector for those over 25 and by 32% for those under 25, whereas automatic increases such as seniority allowances related to length of service were suspended until unemployment rate falls below 10% (Karamanis et al, 2018)**.** These wage cuts, also known as 'internal devaluation' were at the heart of structural adjustments designed for Greece by Troika, and implemented by Greek governments. The aim was to turn Greece into an open export driven economy, the assumption was that wage cuts would restore the competitiveness of Greek firms (such as SMEs), as wages constitute an important competitiveness element within international trade. This internal devaluation strategy however proved to be unsuccessful as exports did not pick up in any visible way (Moutous, 2015; Mitsopoulos and Pelagidis, 2014). My interviews highlighted that wage cuts did not restore the competitiveness of Greek SMEs. As claimed by one of my interviewees:

“typical SME in Greece is not heavily labour intensive, hence other factors beyond wages play a key role in boosting their competitiveness” (interview number 2).

This means that wages within the SME policy framework play a different role compared to their effect on big companies and multinational corporations which are labour intensive and often re-locate to take advantages of low wages (see interview number 2). By contrast, in Sweden, there was no statutory minimum wage, instead the widespread collective agreements were responsible for sector related minimum wages. The post financial crisis wage moderation dynamic was characterised by 3.3% and 2.5% wage increases in 2009 and 2010, subsequently between 2010-2013 it stayed within the range of 2.5-3% (Swedish Mediation Office, 2014). In the post 2010 period, whilst high skilled occupations enjoyed visible increases, the low skilled occupations faced stagnant wages (Anxo and Ericson, 2015). In general, despite the fact that Swedish wages are high by European standards (and certainly much higher than Greek wages), my interviews highlight that most Swedish SMEs are accustomed to such level of wages. One interviewee argued that:

“typical Swedish SME sees Swedish higher wage model as part of the social contract in the economy; SMEs are aware of positive spill overs too e.g robust internal domestic consumption” (interview number 21).

It can be interpreted from this quote and from my general interviews that typical Swedish SMEs tailor themselves to these high wage circumstances and instead aim to compete on quality and value, instead of competition on labor costs (see interview number 21).

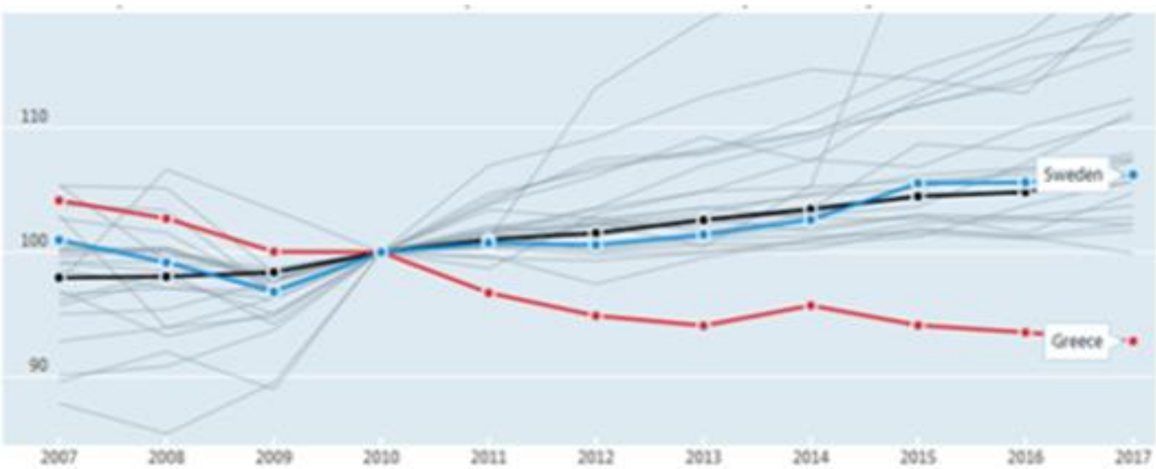
In relation to labour productivity, measured by the OECD as GDP per hour worked (expressed in US$), it can be seen in table 26 and in figure 10 below, that the Greek labour productivity faced a declining tendency since 2011, whereas Swedish labour productivity after first briefly lagging behind, since 2011 substantially outperformed the Greek counterpart. The factors related to sluggish Greek labour productivity mentioned in my interviews relate mainly to the lack of sufficient capital, especially in terms of necessary technology which mean that Greek workers use outdated machinery etc, which negatively impacts on labour productivity of Greek SMEs (see interview number 10).

Table 26

GDP per hour worked- labour productivity (in US$) Annually.	Sweden	Greece
2007	101.0	104.2
2008	99.2	102.7
2009	96.8	100.0
2010	100.0	100.0
2011	100.7	96.7
2012	100.6	94.9
2013	101.4	94.1
2014	102.6	95.7
2015	105.5	94.1
2016	105.6	93.5
2017	106.2	92.8

Source: OECD, available at: https://data.oecd.org/lprdty/gdp-per-hour-worked.htm.

Figure 10: Sweden and Greece: GDP per hour worked-labour productivity



Vertical axis- productivity value

Horizontal axis- years

Source: OECD, available at: https://data.oecd.org/lprdty/gdp-per-hour-worked.htm

In terms of unemployment, in Greece the unemployment rates were constantly rising from the 2007 figure of 8.3%, growing to 17.7% in 2011, reaching its peak of 27.2% in 2013 and ending with decline to 21.5% in 2017 (Karamanis et al, 2018). In Sweden, unemployment rates between 2007-2017 stayed around 6-8% (Gottfries, 2018) which was visibly better than in Greece. The governments in both countries were active to tackle unemployment though active labour market policies (ALMPs), these included: labour market training schemes, programmes to support demand, pro-entrepreneurial activity programmes, employment support and preparatory actions and youth programmes amongst others (Moutos, 2015; Anxo and Ericson, 2015). These ALMPs efforts were more effective in Sweden, partly due to the fact that Greece underspent on ALMPs in comparison to other EU countries, for instance in 2010, Greece spent 0.96% of GDP on ALMPs, compared to 1.8% for EU15 and Sweden (Moutos, 2015).

In Greece, rising unemployment rates were accompanied by cuts in minimum wages and sluggish labour productivity, whereas in Sweden, moderate levels of unemployment were accompanied by wage moderation trends and high worker productivity. All these trends, by extension, had an impact on internal domestic consumption, as can be seen in table 27 below, which illustrates annual percentage change in private consumption in both countries. It can be seen that in Greece, high unemployment rates combined with wage cuts, had a visible negative effect on the purchasing power of Greece consumers, as the private consumption was falling on annual basis since 2009, indicated by negative figures in the table. As a result, the lack of sufficient internal demand became an issue for Greek SMEs which rely on Greek consumers; theoretically this situation could trigger Greek SMEs to be more export oriented, but due to limitations of the Greek variety of capitalism analysed in chapter 3, Greek SMEs were unable to embrace these opportunities. By contrast in Sweden, moderate unemployment rates combined with solid wages, positively impacted on the domestic consumption, which was robust almost throughout the entire investigated period, with the exception of 2008 and 2009 as indicated by negative figures in the table. As a result, for the most period, there was no pressure on private consumption in Sweden, meaning that Swedish SMEs were able to rely on Swedish consumers.

Table 27

Private Consumption	**Sweden (Annual Percentage Change)**	**Greece (Annual Percentage Change)**
2007	3.8%	3.0%
2008	-0.1%	3.2%
2009	-0.4%	-2.2%
2010	3.4%	-4.5%
2011	3.1%	-7.7%
2012	0.9%	-9.1%
2013	2.0%	-2.6%
2014	2.2%	0.7%
2015	2.6%	-0.5%
2016	2.8%	0.1%
2017	2.3%	0.1%

Source: OECD Economic Surveys (Sweden and Greece) 2007-2017.

Attention is now turned towards skills of the workforce in the context of national educational systems in Sweden and Greece. WEF data illustrates that tertiary education enrollment (universities), was impressively high in Greece, even ranking as number 1 out of WEF listed countries between 2014-2017, whereas enrollment of Swedes into tertiary education faced a dangerously declining tendency post 2013 (table 28). Whereas, the quality of the entire educational system in both countries (table 29) was visibly better in Sweden.

Table 28

Tertiary Education Enrollment Rate (Annually)	**Sweden (Rank)**	**Greece (Rank)**
2007	3	6
2008	9	1
2009	12	3
2010	16	3
2011	17	3
2012	17	4
2013	18	4
2014	27	1
2015	26	1
2016	43	1
2017	42	1

Source: World Economic Forum Competitiveness Reports (2007-2017).

Table 29

Quality of the educational system (Annually)	**Sweden (Rank)**	**Greece (Rank)**
2007	24	60
2008	12	82
2009	12	90
2010	8	118
2011	8	120
2012	12	115
2013	17	112
2014	26	111
2015	25	114
2016	23	108
2017	20	106

Source: World Economic Forum Competititvness Reports (2007-2017)

Table 30 below illustrates the level of brain drain in both countries for certain years of the investigated period, it can be seen that the brain drain phenomenon was widespread in Greece (exacerbated by the crisis which caused many skilled Greek people to leave the country), by contrast in Sweden, this phenomenon was limited, meaning that most highly qualified Swedish people remained in the country.

Table 30

Brain Drain (annually)	**Sweden (Rank)**	**Greece (Rank)**
2008	18	63
2009	7	83
2010	6	103
2011	6	119
2012	11	123

Source: World Economic Forum Competititvness Reports (2008-2012).

In both countries, especially in Greece, there were some systemic issues related to the supply of skills to the labour market. The main concern in Greece was the educational mismatch between skills of the Greek workforce and the needs of the labour market i.e. expectations of employers such as SMEs (see interview number 11). The problems lied at the heart of its educational system, for instance at the level of secondary education, the system contained a large number of subjects and was too examination centred, hence based on rote-learning, meaning that it stifled creativity and initiative (OECD 2009,2018).

The upper secondary level of education contained strong bias in favour of preparing students to the university entrance rather than for work, however relatively high unemployment among tertiary education students also indicated mismatch between skills acquired at university and skills demanded by the employers. This can be explained by the fact that tertiary education in Greece substantially focused more on theoretical than professional skills (OECD 2009, 2018). Due to structural bias towards tertiary education, most students perceived vocational programmes as a lower category option. The curricula in the vocational education was also not sufficiently responsive towards the needs of employers, although in the latter part of the investigated period, reform efforts to technical (vocational) education were made, with an aim to connect it more effectivelly to labour market needs (see interview number 7). In response to the skills shortages (especially in technical areas), Greek governments provided some initiatives, most notable one was the mechanism of voucher for 18-24 year old people in private sector enterprises (of key areas of the Greek economy) to obtain work experience, mentoring services, training and validation of new professional skills, and subsequently facilitate such people an increased opportunity for permanent employment and skills supply to firms (SBA, 2015-2016).

By contrast, in Sweden, the phenomenon of educational mismatch in relation to employers' needs was limited and marginal, more concerning was the matching of Swedish unemployed people (6-8% during 2007-2017) with suitable vacant jobs (see interview number 27). In Sweden, possession of high skills was of vital importance in order to succeed in the labour market given the nations competitiveness in skill-intensive sectors. As a result, low skilled Swedes faced problems with finding jobs, these problems were exacerbated by high sectoral minimum wages and by rigid employment protection, however on the positive note, adult education in Sweden was much better developed compared to Greece, with a number of opportunities available. Over the investigated period, it became more difficult to match workers with vacant jobs, especially precarious, was the large number of non EU immigrants in Sweden who on average possessed lower qualifications and had language difficulties and were unable to fill in the vacant jobs as required by the employers (OECD 2015, 2017). Another worrying trend in Sweden was related to declining performance of 15 year olds in the PISA surveys conducted by the OECD, given that performance of Swedish youth felt visibly below the average in 2012 across all major subjects including maths, science and reading. This slowly started to translate into lower adult skills towards the end of the investigated period and meant that the traditionally strong Swedish education system which was supplying skilled workforce started to experiencing some visible cracks (OECD 2015, 2017). In terms of skills shortages (for instance in engineering, construction, education and municipal services), Swedish governments committed themselves to action. The Moderate Party government undertook a reform of vocational education and training in 2011, which enhanced the cooperation with employers and more effectively adjusted technical education to the employers demands (OECD, 2017). By contrast, the Social Democratic government placed industrial skills boost at the heart of its 2016 industrial strategy, placing emphasis on boosting interest in and attractiveness of scientific and engineering study programmes (Government Offices of Sweden, 2016).

5.2.2. Labour Market Policies and Regulations

The discussion now turns to employment protection legislation (EPL), which consists of rules governing the hiring and firing of workers. The general trends regarding this dimension can be seen in the WEF rankings (table 31).

Table 31

Hiring and Firing Practices (Annually)	**Sweden (Rank)**	**Greece (Rank)**
2008	102	114
2009	102	113
2010	128	126
2011	138	125
2012	133	111
2013	114	102
2014	100	92
2015	106	91
2016	109	99
2017	90	93

Source: World Economic Forum Competititvness Reports (2008-2017).

As table 31 exemplifies, Sweden and Greece ranked very far in the WEF rankings, often outside of top 100, with Greece on average slightly higher than Sweden (mainly post 2010 reforms). This means that both countries were profoundly underperforming on this competitiveness dimension, as hiring and firing practices were much more likely to be impeded by various governmental regulations, rather than flexibly determined by the employers of firms. The potential firing of workers, also entails costs regarding this procedure, the place of both countries on this dimension in the WEF rankings, is illustrated in table 32 below and the actual costs of firing of workers (expressed in weeks of wages/salary) is included in table 33. As shown in table 32, both countries were at very best only moderate performers on the redundancy cost dimension, on average ranked outside of top 50, with Sweden making it slightly cheaper than Greece to fire a worker (considering costs in weeks of wages/salary) as exemplified in table 33.

Table 32

Redundancy Costs (Annually)	**Sweden (Rank)**	**Greece (Rank)**
2008	45	39
2009	46	40
2010	48	44
2011	51	46
2012	66	89
2013	68	78
2014	66	76
2015	61	72
2016	58	69
2017	57	69

Source: World Economic Forum Competititvness Reports (2008-2017).

Table 33

Redundancy Costs (Annually) in weeks of wages/salary	**Sweden (Value)**	**Greece (Value)**
2008	26	24
2009	26	24
2010	26	24
2011	26	24
2012	14	20
2013	14.4	15.9
2014	14.4	15.9
2015	14.4	15.9

Source: World Economic Forum Competititvness Reports (2008-2015).

Prior to Greece's first bailout, the Greek EPL was considered restrictive. Especially problematic was the strict employment protection for white collar workers compared to blue collar workers (caused by high severance payments for white collar workers), as well as tight EPL for temporary employment which was subject to various restrictions (OECD; 2007, 2011). As a result, temporary work was restrained in Greece (e.g 12% in 2010, compared to 16% in the Eurozone), labour market turnover was reduced, worker reallocation to more productive jobs was slow (OCED; 2007, 2011). Such tight regulations also exacerbated the growth of the informal activity (for instance in sectors such as construction). These factors resulted in economic distortions, as framed by one of my interviewees:

"Greece's restrictive EPL was inherently correlated with the shadow economy, essentially forcing some SMEs to operate outside the formal economy" (interview number 8).

In practice, some SMEs, were forced to move into the shadow economy, as this allowed them to avoid strict EPL regulations as the workforce was not declared to the authorities (often relied on e.g illegal immigrants) and firms offered these workers less protection than otherwise would be required under formal legislative EPL framework (see interview number 8).

Hence, it needs to be noted that strict formal EPL rules co-existed with de-facto flexibility available in the informal activities within the shadow economy (of course not captured in the WEF rankings which only focuses on formal regulations). Nevertheless, this movement of firms (including SMEs) into the informal activities was precisely the problem, as firms in the shadow economy were trapped in small sizes and lacked modern organisational structures needed for exports (which firms in the official economy possessed), this was not only caused by strict formal EPL arrangements but also by high formal taxation burdens which incentivized more SMEs to operate in the shadow economy (as will be explained in the section 3 of this chapter). Theoretically, Greece's EPL situation prior to reforms need to be viewed in the context of key features of its capitalist model, namely clienteslim, rent seeking and state capture (see chapter 1 section 1.2.4 and chapter 3 section 3.2.3). Here, over-regulated labour market stemmed from statism of Greece's governments, with labour market viewed as a key arena of clientelist interactions between individuals (voters) and governments, leading to state capture. Essentially, groups with the privileged access to government through clientelist channels enjoyed more job protection. Additionally, the wage cuts trend post 2010 impacted more on private sector whilst some preferential arrangements for public sector employees remained (Christopoulou and Monastiriotis, 2014) and this can also be explained through these theoretical interpretations.

The Troika's reforms placed Greek EPL system on the radar, with major reforms imposed in 2010. In relation to temporary employment, the maximum duration of fixed term contracts for workers hired via temporary work agencies was raised from 18 months to 36 months and temporary contract was allowed to be renewed three times over 3 years before consideration for permanent contract. However on the negative note for temporary employment, the reforms restricted the types of work that can be permitted for temporary work agency employment. The employment protection for white collar workers was eased, the notice period needed for dismissal of white collar workers with long tenure was reduced from 24 months to 6 and subsequently 4 months, the severance pay for white collar workers also decreased and was subjected to a ceiling of 12 months' salary (OECD; 2011, 2013, 2016). Furthermore, the new rules for the settlement of severance payments were introduced, which allowed severance payment to be paid in instalments when it exceeds two month's pay, a move was designed to alleviate the pressure from firms during the crisis. Finally, the collective dismissal rules (which require more notification and negotiation than individual dismissals) were redefined, with the increased thresholds for collective dismissals for firms with 20 employees and over (law did not apply to smaller SMEs below 20 employees). Under the previous law, the thresholds for collective dismissals were 4 workers per month for SMEs with 20-200 employees and 2-3% or 30 workers for larger firms with 200 workers or more. After the reforms, the thresholds were: 6 employees for SMEs with 20-150 employees and 5% or 30 employees for larger firms with 150 employees (OECD; 2011, 2013, 2016). In general, my interviews, indicate that deregulatory changes in the EPL outlined above, did not have a significant impact on an average Greek SME, for similar reasons as the minimum wage, i.e. a typical Greek SMEs employs a limited small number of workers, hence for instance the changes in collective dismissal rules did not apply to them. As a result, the impact of EPL changes for them was rather marginal, apart from isolated examples were a given SME benefited from greater flexibility in hiring and firing, which according to WEF rankings still remained rigid in global standards, hence Troika's changes should not be over-exaggerated (see interview numbers 3 and 13). Moreover, my interviews pointed out that labour market remained an arena of hostile battles between labour and capital which could be observed in chaotic tripartite relations which remained as conflictual as before (see interview number 1). This finding connects to theory, namely to the VoC lens. Essentially, it illustrates importance of continuation of deeply embedded trends i.e path dependence (see chapter 1 section 1.2.1) as well as weak reform capacity of Greek government as an actor in the context of state capture (see chapter 1 section 1.2.4 and chapter 3 section 3.2.3).

In Sweden, the period of stability within economic and political sphere was not utilised by the successive governments to reform the Swedish EPL system. This can be regarded as a wasted opportunity (given that Swedish variety of capitalism in the period of stability would be able to absorb certain EPL changes). One of the major features of the Swedish EPL and in the same time its major controversy, was the duality of the EPL system, namely high level of protection for employees with permanent contracts and low level of protection for employees with temporary contracts. This EPL asymmetry was highlighted by the World Bank Group (2015) which highlighted that as of 2015, out of all OECD countries, Sweden's labour law guaranteed the 11th highest level of protection for permanent workers and the 6th lowest level of protection for temporary workers. This duality was the result of 1990s reforms which lowered EPL for temporary contracts (this increased the share of temporary workers from 10% in 1990 to over 15% in 2009), whilst in the same time EPL for regular employment (permanent contracts) remained strict (OECD, 2011). Of course, an increase in temporary jobs provided flexibility to the labour market and to firms, but there were a number of negative consequences from this EPL duality in Sweden during the investigated period. For instance, strict EPL for regular employment protected existing jobs and inhibited the reallocation of workers towards more productive activities, also such strict job security undermined the adoption of new technologies and innovation when organisational changes required worker turnover in some firms (OECD, 2011). Furthermore, although insiders in the labour market enjoyed job security, the outsiders i.e. workers on temporary contracts (mainly youth, low skilled and immigrants) faced difficulties in accessing secure and stable long term employment. The workers on temporary contacts are also the group that could gain from on the job training, but in Sweden, due to this asymmetry in EPL, employers tended to provide less training to temporary employees (OECD, 2011). Additional problematic issue within the Swedish EPL, was the seniority rule (last in first out rule), which was in place since the 1970s and applied to regular employment (permanent contracts). The rule protects workers with long seniority and states that in the case of redundancy, employee who was employed last needs to be laid off first (within each professional segment). Since the early 2000s, micro enterprises with employees of 10 or below, were allowed to exempt two workers from this rule, nevertheless typical Swedish SMEs regarded this rule as a stringent and unpractical regulation during the investigated period (OECD, 2011, see interview number 26). The seniority rule added to the already rigid and time consuming dismissal procedures, essentially during dismissal of worker on personal grounds or due to general redundancy, a worker's trade union must be notified, then relocation negotiations can be launched which can last up to 6 months and the dismissal notice cannot be served until the end of these negotiations. Furthermore, the formal definition of unfair dismissal was broad and lacked clarity, whereas if cases ended up in courts, procedures took long and the compensation for such dismissals was generous (OECD, 2011, 2015). In general terms, around 33% of Swedish firms indicated that EPL regarding hiring and firing constrained workforce expansion and firm operations, with especially manufacturing firms finding it problematic (World Bank Group, 2015). My interviews manifest that especially the firing of workers was problematic for Swedish SMEs, for instance due to practical problems to fire a worker for employee specific reasons. As framed by one of my interviewees:

"as a manager I am often stuck with some workers that are underperforming, however firing them is challenging due to difficulties to prove that the worker is inefficient, unless the worker breaks company rules e.g commits a crime" (interview number 32).

This quote illustrates potential negative implications for Swedish SMEs which needed to be very careful in terms of their employment decisions, whereas those SMEs which had to operate with ineffective workers had their labour productivity stifled within the firm. (see interview numbers 27 and 32). Theoretically, the Swedish limitations on the EPL arena, connect to path dependency and to the distinctive nature of capitalist models- in this case of Swedish CME model (see chapter 1 sections 1.2.1; 1.2.2; chapter 3 section 3.2.6). Essentially, Swedish labour market arrangements acted as a deeply embedded feature of the Swedish CME model with resistance to changes, exhibiting path dependency. Moreover, despite hybrid nature of the Swedish capitalist model outlined in the conclusion of chapter 4 and chapter 3 section 3.2.6; here labour market (with its EPL component) represented distinctive feature entangled within coordinative and protective aspects of its CME model and resistant to LME style changes which would entail greater flexibility and liberalisation of its EPL.

In response to the overarching question of chapter 5, (the extent to which the government policy in Sweden and Greece was conducive towards the functioning and exporting of their domestic SMEs), in relation to the labour market, the answer is mixed in both countries. Generally speaking, labour market (subjected to reforms in Greece and period of stability in Sweden) consisted of some strengths for domestic SMEs but was underpinned by visible deficiencies (insufficiently addressed by the governments); such limitations were especially present in the Greek case. In Greece, cuts in wages had a limited positive effect on SME competitiveness and had a negative impact on internal demand, which decreased further due to high unemployment, insufficiently tackled by Greek ALMPs. Furthermore, Greek SMEs operated in the context of brain drain and shortages in supply of required skills (caused partly by systemic educational problems), although on the positive note, Greek governments aimed to tackle skills shortages and some of its educational deficits. Finally, the Greek EPL was strict and rigid, hence negatively impacting on SMEs firing and hiring practises, although the EPL reforms in 2010, moved this dimension in the right direction, it had a limited positive impact on SMEs per se as argued by my interviews. By contrast, in Sweden, wage trends meant that Swedish SMEs (which typically employ more workforce than Greek SMEs) were not able to compete on costs, however strong internal demand was supplied and was combined with strong labour productivity (where Sweden visibly outperformed Greece). The Swedish ALMPs better tackled unemployment than Greece, however moderately high unemployment in Sweden was partly caused by strict EPL and its duality issue. The EPL dimension remained problematic for Swedish SMEs, and not reformed by the successive governments, however it was compensated to firms by the lack of brain drain phenomenon and the supply of required skills to firms, although similarly to Greece, systemic educational issues also existed in Sweden. This section also holds various theoretical implications. In terms of the GVC literature, it can be argued that successive Swedish and Greek governments struggled with the role as ‘facilitator’ of a business friendly environment in the GVC context (see chapter 1 section 1.1.3). This is because the EPL dimension (an exemplar of labour market flexibility) was problematic in both countries; here successive governments from both countries were more closely aligned to the role of ‘regulator’ in the GVC context, given that protection of certain interests via regulations of the labour market prevailed during the investigated period (see chapter 1 section 1.1.3). This can be explained through a GVC-VoC synergy, allowing for conceptualisation of governmental activism in the broader capitalist variety context. Here, it was argued that the EPL tendencies in Sweden can be understood as part of its CME features, whereas Greece’s ELP limitations prior to reforms, as well as reform outcomes post 2010, can also be explained through features intrinsic to its capitalist model (see chapter 1 sections 1.2.1; 1.2.2; 1.2.4; and chapter 3 sections 3.2.3; 3.2.6).

5.3 Taxation Policy and Arrangements

Introduction

The following section investigates taxation policy in Sweden and Greece with the focus on the competitiveness of such taxation arrangements in the context of free trade. The significance of taxation for the general functioning of firms is visibly manifested in the academic literature, e.g OECD (2015) underlines the correlation between taxation systems and SME activities (highlighting that taxation affects incentives of SME operations). On the other hand, Beck and Chaves (2011) explore the correlation between the taxation system and trade competitiveness of firms and nations, highlighting that higher taxes undermine exports through increasing of production costs. It needs to be noted that taxation was also subtly integrated into Lisbon/Europe 2020 agendas. It was treated as integral to achieving business climate dimensions of these agendas through embrace of lower taxation levels and removal of distortional and burdensome taxes (in line with business friendly environment), thus taxation in the Lisbon/Europe 2020 context corresponded with the LME variety of capitalism style of competitiveness (James, 2012). This section investigates the key taxation arrangements in Sweden and Greece with its implications for domestic SMEs. The discussion is divided into two parts, the first one is preoccupied with outlining the general taxation outlook in both countries in relation to SMEs, by sketching out the levels of key taxes, whereas the second section is dedicated to analysis of key taxation issues in both countries, with its impacts on SMEs. Overall, during the investigated period, both countries occupied the upper end of taxation levels in the European and global contexts, meaning that domestic governments in Sweden and Greece were inclined towards organising their economies around high tax systems, which entailed several problems for their domestic SMEs.

5.3.1 Taxation Outlook

The scale of tax burden in both Sweden and Greece can be exemplified by looking at various rankings. Table 34 below, illustrates Eurostat data about the tax to GDP ratio which corresponds with the total government revenue from taxes and social contributions, it is one of the measures of tax burden. It can be seen that the tax to GDP ratio in Sweden was significantly higher for all the available listed years compared to the EU averages, whereas the Greek figures were also above the EU averages from 2015 onwards. In the case of Greece, these figures need to be understood in the context of tax evasion. As claimed by one of my interviewees:

"Prior to the crisis, Greece was a prime example of weak tax collection efficiency, however, post crisis, the tax collection apparatus only improved to a small extent, hence the improvements in tax revenues since 2012 resulted from tax increases" (interview number 6).

Thus, it needs to be remembered that Greek tax collection apparatus remained weak by EU standards, meaning that many taxes were still not collected (see interview number 6) which added to pressure to increase taxes (although with negative consequences for SMEs as will be subsequently shown). This entailed that the Greek SMEs which payed the taxes properly had to pay excessive amounts as will be outlined in this section, however it should be noted that in Greece, official tax burden, co-existed with de facto flexibility available in the shadow economy where businesses were able to avoid taxes, hence tax evasion was substantial in Greece (see interview number 5).

Table 34

Total government revenue from taxes and social contributions (as % of GDP)	**Sweden**	**Greece**	**EU Average**
2007	45.5%	33.5%	39.1%
2012	43.1%	38.8%	39.5%
2015	43.6%	39.8%	39.7%
2016	44.8%	41.9%	39.9%
2017	44.9%	41.8%	40.2%

Source: Eurostat, 2018.

Table 35 below exhibits the WEF data for the total tax rate (combined taxes for profit, labour, contributions, and other taxes, as % of profits). The figures for both countries cluster around 50% (as % of profits), with the figures being couple percentage points higher in Sweden compared to Greece on average, although from 2015, both countries were almost levelled. Furthermore, as can be seen in table 36, both Sweden and Greece occupied far places in the WEF ranking on this total tax rate dimension (with Greece somewhat outperforming Sweden), signalling that tax burden was substantial in both countries, considered in global standards.

Table 35

Total Tax Rate [combination of profit tax (% of profits), labor tax and contribution (% of profits), and other taxes (% of profit). Annually	**Sweden**	**Greece**
2008	54.5%	48.6%
2009	54.5%	47.4%
2010	54.6%	47.4%
2011	54.6%	47.2%
2012	52.8%	46.4%
2013	53.0%	44.6%
2014	52.0%	44.0%
2015	49.4%	49.9%
2016	49.1%	49.6%
2017	49.1%	50.7%

Source: World Economic Forum (2008-2017).

Table 36

Annual Rank for Total Tax Rate [combination of profit tax (% of profits), labor tax and contribution (% of profits), and other taxes (% of profit).	**Sweden**	**Greece**
2008	103	82
2009	99	81
2010	108	92
2011	115	97
2012	116	101
2013	120	101
2014	119	96
2015	112	113
2016	106	109
2017	108	111

Source: World Economic Forum (2008-2017).

Whereas both countries were comparably similar in terms of the overall tax burdens, Sweden performed substantially better than Greece in terms of the yearly number of tax payments and the time required to comply with taxes. As can be seen in table 37, the number of tax payments per year in Sweden during the investigated period was small and oscillated between 2-6, these numbers were high in Greece for the first couple of years of the investigated period, however the situation improved and the number of tax payments per year stabilized at 8. Whereas Sweden outperformed Greece on this dimension, the Greek figures similarly to the Swedish ones, were better than the EU averages. In terms of time required to comply with taxes (hours per year) exemplified in table 38, Sweden was a star performer and the time required during the investigated period was stable at 122 hours per year, which was better than the EU averages, and substantially better than Greece which was well below the EU averages, albeit with improving tendency finishing with 193 hours per year. Overall, these figures mean that taxes were on average simpler and easier in Sweden compared to Greece, allowing for faster compliance for firms in the Scandinavian country. Additionally, Swedish firms were preoccupied with smaller number of taxes compared to Greek firms, meaning that overall Swedish SMEs possessed an advantage over Greek SMEs on these two dimensions. This analysis can be pushed further, as articulated by one of my interviewees:

“some Swedish people perceive the relatively high tax system, as partially compensated to Swedish taxpayers by the creation of simplified tax system, providing a compromise and social contract between the state and Swedish taxpayers” (interview number 25).

Hence, it can be deducted that for some economic actors in Sweden, the ease of paying taxes can compensate for higher tax burden.

Table 37

Number of Tax Payments Per Year (Annually)	Sweden	Greece	EU Average
2007	5	33	N.A
2008	2	21	N/A
2009	2	10	N/A
2010	2	10	N/A
2011	2	10	N/A
2012	4	10	15
2013	4	8	12
2014	4	8	12.54
2015	6	8	11.68
2016	6	8	10.89
2017	6	8	11.29

Source: World Bank Doing Business (2007-2017), and SBA Fact Sheets (2012-2017).

Table 38

Time Required to Comply with Major Taxes (hours per year). Annually.	Sweden	Greece	EU Average
2007	122	204	N/A
2008	122	264	N/A
2009	122	224	N/A
2010	122	224	N/A
2011	122	224	N/A
2012	122	224	206
2013	122	202	193
2014	122	193	192.57
2015	122	193	189.16
2016	122	193	185.55
2017	122	193	175.59

Source: World Bank Doing Business (2007-2017), and SBA Fact Sheets (2012-2017).

The discussion will now outline the levels of key taxes of importance to firms and workers. To start with, the corporate income tax (CIT), which is a tax on income of companies, is of crucial importance to all business entities including SMEs. Table 39 below, exhibits that between 2007-2012, Greece compared to Sweden, had lower corporate income tax rate, however since 2013, Sweden visibly outperformed Greece by creating lower more competitive CIT rates. The EU average for CIT in the first part of the investigated period was around 25%, then declined to around 22% in the latter part (Bergner et al, 2017). This means that Swedish rates were above the EU averages until 2012 and then levelled with the EU standards since 2013, whereas the opposite was the case in Greece, which remained competitive and in line with the EU averages until 2012 and from 2013 the tax increases made Greek CIT among the highest in Europe. On a critical note for both countries, it needs to be mentioned that Sweden and Greece refrained from providing lower corporate income tax rate for SMEs themselves, this is a measure used by 10 EU member states (Bergner et al, 2017). Such 'special' CIT for SMEs would enhance competitiveness by boosting business activity incentives for Swedish and Greek SMEs, however this was not on the agenda of governments from these two countries. Overall, as highlighted in my interviews, both governments, the Moderate Party and then Social Democrats were assessed positively for decreasing and then maintaining the competitive CIT rates (see interview numbers 29). On the other hand, the Greek government coalitions post 2012, were harshly critiqued for increasing the CIT rates, as the move had a negative impact on economic activity, incentives for SME operations and entrepreneurship in general to due lower post tax returns (see interview numbers 7).

Table 39

Corporate Income Tax Rates (Annually)	**Sweden**	**Greece**
2007	28%	25%
2008	28%	25%
2009	26.30%	25%
2010	26.30%	24%
2011	26.30%	20%
2012	26.30%	20%
2013	22%	26%
2014	22%	26%
2015	22%	29%
2016	22%	29%
2017	22%	29%

Source: Trading Economics

Moving beyond CIT rates, the sales tax/VAT (tax on final goods and services) is another important tax of importance for firms. Table 40 below, illustrates VAT rates in Sweden and Greece during the investigated period. It can be seen that the standard VAT rate stood at a stable rate of 25% throughout the entire period, whereas in Greece, increasing tendency was evident, starting at 19%, reaching 23% and finally 24%. Both countries however offered a 'special' reduced VAT rates for certain products and services e.g 12% rate in Sweden and 13% in Greece for certain food commodities. The findings from my interviews, point to rather negative comments about VAT in both countries. In Sweden the VAT system was characterised as rather unclear as there were many exemptions of lower VAT rates depending on type of product or service sold and these changed frequently, hence there was a need to make it more simple and stable (see interview numbers 28 and 34). Greece, the VAT regime was also critiqued, for its effects of increasing consumer prices (decreasing consumers purchasing power further), but also for delays to receive VAT refunds to firms, unfair nature of some of the VAT exemptions such as for casinos or betting offices and VAT related tax avoidance which distorted competition between firms (interview number 6).

Table 40

Sales Tax Rate (VAT)- referring to the highest rate (Annually)	**Sweden**	**Greece**
2007	25%	19%
2008	25%	19%
2009	25%	19%
2010	25%	23%
2011	25%	23%
2012	25%	23%
2013	25%	23%
2014	25%	23%
2015	25%	23%
2016	25%	24%
2017	25%	24%

Source: Trading Economics

In terms of taxes most relevant for workers, table 41 below reveals the personal income tax rates (PIT), specifically top marginal tax rate. Both countries placed progressive income tax rates (on average: in Greece starting around 22%, moving to 29% and 37%, whereas in Sweden starting around 32%) and the highest earners paid very high taxes. The marginal rates were on average around 56% in Sweden and between 42-45% in Greece, these rates were higher compared to the EU average of 38%-39% for top marginal income taxes (Bergner et al, 2017). In the case of Sweden, my interviewees suggested that disproportionally high marginal income taxes acted as potential obstacles to innovation for SMEs, given that highest skilled people (the highest earners) needed for high tech innovative activities were burdened with high PIT rates (see interview number 27). PIT was also criticised in Greece and this will be outlined in the second sub section about taxation issues.

Table 41

Personal Income Tax Rates-Top Marginal Tax Rate for Individuals (Annually)	**Sweden**	**Greece**
2007	56.77%	40.00%
2008	56.66%	40.00%
2009	56.74%	40.00%
2010	56.56%	45%
2011	56.55%	45%
2012	56.60%	45%
2013	57%	42%
2014	57%	42%
2015	57%	42%
2016	57.10%	45%
2017	61%	45%

Source: Trading Economics

In addition to PIT, workers also transfer parts of their incomes towards social security contributions, all firms including SMEs also contribute to social security system as part of employer contributions. Table 42 above illustrates that Swedish combined social security rate stood on average around 38%-39%, whereas the Greek one between 40% to 44%. Both countries occupied the upper end of EU rates on social security contributions rate.

Table 42

Social Security Contributions (Annually)	**Sweden**	**Greece**
2007	39.4%	44%
2008	39.4%	44%
2009	38.4%	44.1%
2010	38.4%	44.1%
2011	38.4%	44.1%
2012	38.4%	44.1%
2013	38.42%	43.96%
2014	38.42%	43.96%
2015	38.42%	40.06%
2016	38.42%	41.06%
2017	38.42%	40.06%

Source: Trading Economics

Tables 43 and 44 below, on the other hand, show the breakdown of social security contributions between employee contributions (table 34) and company/employer contributions (table 35). By looking at both tables, it can be seen that in Sweden, the vast majority of social security contribution burden during the investigated period was placed on companies with an average 31% contribution, whereas employees contributed 7%. In Greece, the breakdown was also skewed towards higher employer contribution rates (on average 27-28%) but it was more equal compared to Sweden, with Greek employees contributing as much as 16% (over twice as more than Swedish employees) and this placed enormous pressure on Greek private sector workers.

Table 43

Social Security Rate for Employees (Annually)	**Sweden**	**Greece**
2007	7%	16%
2008	7%	16%
2009	7%	16%
2010	7%	16%
2011	7%	16%
2012	7%	16%
2013	7%	16.5%
2014	7%	16.5%
2015	7%	15.5%
2016	7%	16%
2017	7%	16%

Source: Trading Economics

Table 44

Social Security Rate for Companies (Annually)	**Sweden**	**Greece**
2007	32.4%	28.1%
2008	32.4%	28.1%
2009	31.4%	28.1%
2010	31.4%	28.1%
2011	31.4%	28.1%
2012	31.4%	28.1%
2013	31.42%	27.46%
2014	31.42%	27.46%
2015	31.42%	24.56%
2016	31.42%	25.06%
2017	31.42%	24.06%

Source: Trading Economics

5.3.2 Taxation Issues

Greece

During the investigated period, in Greece, the previously mentioned taxation burdens, were exacerbated by the introduction and increases in variety of other taxes. Among these, the most harmful one to businesses including SMEs were the energy cost increases caused by government pricing strategies and excise taxes implemented by Greek governments (see interview number 1). For instance, 10% increase in electricity in 2008, followed by another 4% increase in 2010; and this was combined with excise tax on heavy fuel in 2011 and its extension to include natural gas (Dervis, and Mistral, 2014). This meant that energy cost increases (in electricity, gas and heavy fuel) negatively impacted on the cost competitiveness of energy intensive production e.g basic metals and energy intensive exporting sectors such as refineries and the cement industry. Overall, this meant that Greece had one of the highest industrial energy prices in the EU (Dervis, and Mistral, 2014).

In terms of most profound issue, one of my interviewees articulated that:

“at the heart of Greece’s taxation flaws, was its distorting effect on the structure of business ecosystem and entire economy” (interview number 8).

Here, the issue relates to the connection between the taxation burden (especially over-taxation of private sector salaried employment, combined with the unfairness of the taxation system) and the structure of the economy, namely a barrier to grow for Greek firms, which by consequence stayed very small in size (see interview number 8). In terms of the first part of the equation, Greece's taxation burden need to be understood in the theoretical context, namely in relation to key features of the Greek capitalist model i.e clienteslim, rent seeking and state capture (see chapter 1 section 1.2.4 and chapter 3 section 3.2.3). Essentially, similarly to the labour market, taxes represented a key arena of clientelist interactions between individuals (voters) and governments, leading to state capture. Here, the statist tendencies of the Greek governments, historically translated into complicated and frequently changed tax system (to accommodate clientielist interests). Hence, from 1975 to 2016, over 250 tax bills were passed with around 115,000 tax related ministerial decisions been issued (Kotios et al, 2017). Importantly, it led to unfairness of the taxation system with favorable arrangements to some groups over others. Essentially, during the investigated period, my interviews argued that taxation was highly skewed against private sector salaried employment, whereas it was favourable towards public sector workers, self-employed and the pensioners (especially public sector pensioners) (see interview number 3). The example of this embedded unfairness was visible through social security contributions. These were very high for the salaried labour in the private sector (much higher than in the OECD average), whereas in the public sector, the workers benefited from favourable social security arrangements provided by the state (Mitsopoulos, 2017; and see interview number 10). Similarly, self-employed were also given favourable arrangements and were able to avoid social security contributions through low frequency tax audits allowing undetected tax evasion, although this changed with the 2016 reform of the social security system which also added this component to the self-employed (Mitsopoulos, 2017). Here, the other part of the mentioned connection comes in, the overtaxation of the private sector salaried employment (PIT and social security contributions) was a factor that trapped Greek firms in small sizes. In practice, there was an incentive to become small type of SME and rely on self-employment, as this firm status allowed the pocket of the employee to be the same as the pocket of the owner/entrepreneur, which facilitated tax evasion. This meant that many Greek small scale SMEs, had a large proportion of undeclared activity, in the form of income (i.e. undeclared revenue, via not issuing of receipts) and in the form of expenditure related to employees (e.g clandestine employment) and essentially operated in the shadow economy

(Mitsopoulos, 2017; and see interview number 8). On the other hand, becoming a larger firm with modern shareholder structure, operating in the official economy, would not allow for such tax evasion processes which are only compatible with black/shadow economy. However, the perceived revenue opportunities from being a larger firm were muted for these small entrepreneurs due to official tax burdens (e.g CIT, VAT, high progressive taxes for declared income of employees) which would apply to them (Pelagidis and Mitsopoulos, 2017; and see interview number 6).

This can be understood in the theoretical context, combining IBV and VoC elements. Essentially, by treating the labour market and taxation as institutional components (in line with the IBV analysis) we can utilise the VoC insights to argue that both of these institutional spheres interacted together in the Greek capitalist model to create a 'shadow economy NIC' for Greek SMEs (for NICs see chapter 1 section 1.2.1). This is because, practically both, the labour market with its EPL dimensions (see chapter 5 section 5.2.2) and taxation as explained in this section, sent signals to SMEs which incentivized them to operate informal activities in the shadow economy. However in terms of those Greek SMEs which operated in the official economy, they were confronted with taxation-labour market burdens. Here, several of my interviewees argued that some Greek SMEs simply did not survive the pressure stemming from these burdens (leading to bankruptcies) or they stayed in small size and never reached the stage where they could embrace exports and potentially benefit from governmental support in terms of trade (see interview numbers 3, 6, 7, 8 and 10). Available statistics also reflect the scale of Greek SME bankruptcies; for instance, between 2011-2013, there were only 1,813 more new business registrations compared to deregistrations (closures of businesses) [SBA, 2015]. This means that the difference between creation of new business and bankruptcy of existing business was very small. Relatively weak (or at best modest) new start up numbers (as discussed in chapter 4 section 4.1.1) also add up to a rather bleak SME business demographics in Greece. Overall, in terms of policy reforms, this situation translates to a need of Greece to utilise solutions from e.g LME capitalist models which offer greater economic freedom to firms domestically, allowing them to function in the official economy. Consequently, this offers fewer incentives for SMEs to operate in the shadow economy (which results in smaller size shadow economy in LMEs compared to countries with more deficient capitalist models).

Greater economic activity (especially in potential exports and the manufacturing sector) could occur if small scale Greek SMEs had incentive to grow to become larger size firms, as on average it is required for a company to have bigger size in order to function in manufacturing or exporting markets (Pelagidis and Mitsopoulos, 2017; Mitsopoulos, 2017). As highlighted by the IMF (2013), the sectors most prone to undeclared economic activity were: tourism, agriculture, construction, catering and homecare. Apart from self-employment, additional reasons for tax evasion in Greece, highlighted by the IMF (2013), included: high tax burden itself, low probability of detection, low effective penalties and the lack of reciprocity within taxes (i.e. dissatisfaction with public goods and services provided by the government), as well as business survival needs. In a study focusing on small SMEs specifically, Vlachos and Bitzenis (2016) shown that official tax burden and corruption were the major reasons for non-compliance of these firms with taxation laws.

To summarise, it can be seen that situation within Greece's taxation realm (investigated in this and previous sub section) has actually deteriorated post 2010 reforms, due to increases in taxes and continuations of negative trends related to tax unfairness. This can be interpreted theoretically; essentially the importance of path dependency is at play here (see chapter 1 section 1.2.1) in the context of key features of Greece's capitalist model i.e clientelism, rent seeking and state capture (see chapter 1 section 1.2.4 and chapter 3 section 3.2.3). It illustrates that taxation as an institutional sphere of the Greek capitalist model and as an governmental policy area was resistant to changes as it was strongly embedded within Greece's historical and traditional arrangements where taxation is seen as an arena of clientelist interactions leading to state capture. As a result, post 2010 reforms, the cultural trend towards opportunistic behaviour and tax avoidance was strengthened even further as a social norm. This led to deterioration in the informal institutional side of the Greek capitalist model, meaning that culture, further reinforced the analyzed NICs (for the importance of informal institutions see chapter 1 section 1.2.1).

Sweden

In Sweden, one of the most prominent taxation issues during the investigated period was the taxation of closely held firms, this became a deeply debated topic (especially from a perspective of small size SMEs). Closely held firms are firms where small number of shareholders own majority of shares (which generally are unavailable to outsiders), a typical example of closely held firm comprise of family businesses, where family members own majority of shares and control the management and operation of the firm. The 1990-1991 tax reform in Sweden, introduced the dual income tax system, which had its direct implications for small SMEs operating under the category of closely held firms. The dual income tax system (in relation to capital and labour) entailed: flat proportional capital income tax and a progressive tax rate on labour income. However when considering small size SMEs that qualify as closely held firms, the question arises if their income qualifies as labour or capital income. As a result, the specific rules for closely held firms called '3:12 rules' were introduced (Ericson and Fall, 2011; and see interview numbers 23 and 25). Essentially, a strong incentive existed since the 1990s reform, to pay as much as possible via capital income taxation (interest, dividends, capital gains) which was traditionally taxed lower (at 30%, this dropped to 20%, as implemented by the Moderate Party government during the investigated period) compared to taxing as wage, which faced high and progressive labour tax in the range of just above 30% up to 57%. Hence, the 3:12 rules were introduced to prevent tax shifting from labour income to capital income and create certain limits (Ericson and Fall, 2011; and see interview numbers 23 and 25). The main issues related to 3:12 rules, were that such rules were very complex and unstable. As framed by one of my interviewees:

" the complexity and instability of these rules was manifested through the fact that they were updated almost annually, leading to complexities which required firms to hire tax consultants to prepare tax returns" (interview number 23).

In addition to annual updates of these rules as illustrated in the quote, further related complexities were added whist handing a firm to the next generation or making an employee a partner or giving him/her stake at the firm. Hence, the complexities and instabilities regarding these rules were regarded as troubling by small size SMEs. The Moderate Party government (2006-2014), which promoted entrepreneurship, placed emphasis on '3:12 rules' at the rhetorical level, however it continued with the lack of clarity about these rules which were problematic in the light of its extra incentive of lowered 20% tax on capital income. (see interview number 29).

Another problem with the Swedish taxation system during the investigated period, of importance to large firms, and to many SMEs (especially to medium sized ones, although to some smaller ones too) was the double taxation of corporate profits. Essentially, Swedish firms pay taxes on their corporate profits (i.e. CIT), however subsequently when such firm's profits are distributed to company shareholders, another layer of taxation arrives i.e. capital income tax (with the standard rate of 30%, as the reduced 20% applied only to closely held firms), hence it means that the same money (i.e. corporate profits) are taxed twice. This occurs in a lot of European countries (including Greece), however the issue in Sweden in relation to this double taxation, is the lack of any imputation system, which is a mechanism that allows for compensation to shareholders who receive such dividends from firms, such compensation typically occurs in the form of a tax credit (see interview number 23). One of the related problems of this double taxation in Sweden (which remained between 2007-2017) was a visible bias towards debt financing of investments over equity financing. In practice, costs corresponding to debt finance can be deducted against taxable profit, whereas equity finance associated costs must be paid from after-tax income; this means that debt financing has the more attractive rate compared to equity (World Bank Group, 2015; and see interview number 25). The Moderate Party government has turned some rhetorical attention to eliminating these distortions and move towards a neutral taxation of debt and equity capital, in fact the Committee on Corporate Income Taxation in 2014 has produced certain proposals, however these were not implemented in practice, hence the issue remained unresolved (World Bank Group, 2015; and see interview number 28).

Additionally, it is also worth to mention the key findings from firm surveys conducted in Sweden by the World Bank Group (2015) in relation to taxation. One of the highlighted issues is that, as the firm size increases, the more likely is the probability that firm complaints about complexity and/or changes to the tax code, as well as tax rates themselves, although the largest Swedish firms seem to be well adjusted to it, meaning that medium sized SMEs are most likely to be negative about such taxation issues (World Bank Group, 2015). Furthermore, Swedish taxation burden is also correlated to trends in the domestic labour market, with some firms reporting hiring difficulties due to high tax or social security contribution rates, once again, the largest firms and the smallest SMEs seemed to be the least negatively affected, with medium sized SMEs most likely to experience such difficulties (World Bank Group, 2015)

From the theoretical point of view, the overall limitations of the Swedish taxation system (analysed in this and previous sub section) need to be understood in the context of its capitalist model. The preferences of Swedish governments to organise the economy around higher taxes and contributions with several taxation complexities to SMEs (as defined in this sub section) stems from path dependent and distinctive features of the Swedish CME model (see chapter 1 sections 1.2.1; 1.2.2 and chapter 3 section 3.2.6). Here, taxation similarly to the labour market (its EPL component) was resistant to change to a more LME type of arrangement, with domestic governments unwilling or not able to make such transformations, showing that there are limits to the hybrid nature of the Swedish capitalist model. In terms of the IBV-VoC theoretical contributions, in contrast to the Greek case, it would be too strong to argue that in Sweden taxation and labour market interacted together to create a NIC (see chapter 1 section 1.2.1) in terms of business operations for Swedish SMEs. It needs to be remembered that apart from EPL and some relative emerging weaknesses in skills formation, Swedish labour market still provided some benefits to Swedish SMEs; whereas the scale of burden from the taxation realm was also comparatively smaller in Sweden than in Greece. Nevertheless, due to visible weaknesses in taxation and parts of the labour market in the Swedish capitalist model, it can be safely argued that both of these institutional and governmental policy areas interacted together to create unnecessary obstacles for domestic SMEs and this was the negative component of the Swedish capitalist model. On this point, several of my interviewees, argued that some Swedish SMEs did not survive the pressures from specific aspects of taxation and the labour market (leading to bankruptcies) or they struggled to grow due to these burdens and as a result they did not reach the stage where they could export and benefit from trade related governmental support (see interview numbers 21, 23, 27, 28 and 30). The available statistics also reflect the Swedish SMEs bankruptcy trend, with the number of bankruptcies increasing by 21% between 2008-2012 (SBA, 2014). Despite that, it needs to be noted that, still, overall, the Swedish business environment had one of the highest survival rates in the EU (SBA, 2014), also with strong SME start-up numbers (as discussed in chapter 4 section 4.1.1) Hence, the bankruptcies and business demographic situation was significantly worse in Greece as previously discussed in this section.

In summary, in relation to the overarching question of chapter 5 (the extent to which the government policy in Sweden and Greece was conducive towards the functioning and exports of domestic SMEs) this section illustrated that the taxation arrangements were problematic in both countries. The taxation levels were high in both Sweden and Greece (undermining competitiveness) and various taxation issues existed that still remain unresolved. Thus, the overall assessment of governmental activity within the taxation policy, is negative in both Sweden and Greece, with both countries clearly being unable to move towards Lisbon/Europe 2020 agenda of competitive and lower business friendly taxes. In Sweden, the rare taxation positives could be the overall number of taxes to pay and time required to comply with them, as well as competitive CIT rates post 2013. Whereas the widespread negatives included: high overall tax burden, high and unclear VAT system, highly progressive PIT with marginal rates for this labour tax being one of the top highest in the world, high social security contributions in general (especially high for employers), as well as several unresolved issues i.e. taxation of closely held firms, double taxation of corporate profits (including bias towards debt over equity finance) and negative impacts of taxation on the labour market (i.e. hiring difficulties). In Greece, some of the rare taxation realm positives could be: number of taxes per year which declined, competitive CIT rates (up to 2013), as well as lower VAT and PIT marginal rates compared to Sweden (although these were still very high by global standards). The taxation negatives in Greece were numerous, including high overall tax burden, time required to comply with taxes, simultaneous increases in CIT and VAT in the early bailout period. Moreover, there were unresolved issues such as the over-taxation of private sector salaried employment i.e: PIT, and high social security burden falling on private sector employees (with its implications for the structure of the Greek economy related to small size of SMEs which resulted in missing economic activity such as potential exports), as well as increases in other taxes (e.g energy costs, property taxes) and high tax evasion. Theoretically, this section illustrated that resistance to LME type of changes in the taxation realm, stemmed from path dependent tendencies embedded within distinctive features of the Swedish CME model, as well as key features of Greece's capitalist model (i.e clientelism, rent seeking and state capture). Additionally, in the case of Greece, it needs to be noted that further tax raises occurred and were justified due to the crisis moment of the Greek economy and this connects to the dependency dimension of Greece's DME model, essentially exhibiting its crisis prone nature which has negative implications for institutional-policy areas such as taxation. In relation to the GVC literature, it can be argued that successive Swedish and Greek governments struggled with embracing the ‘facilitator’ role in the GVC context (see chapter 1 section 1.1.3). This is because their preferences for setting higher taxes and contributions (as outlined in this entire sub section) failed to deliver a business friendly environment in line with EU’s competitiveness agenda on taxes. Instead, their taxation preferences were in line with ‘regulator’ role of government in the GVC context (see chapter 1 section 1.1.3) given that such taxes were utilised in both countries (e.g through redistribution) to protect certain groups and interests.

Conclusion

In response to the overarching question of this chapter, it can be argued that the governmental agenda (combining trade, labour market and taxation policies) in both countries was moderately active and produced weakly competitive or at best moderately competitive arrangement for the functioning and exports of domestic SMEs. In other words, governmental policies were moderately conducive towards promoting and achieving competitiveness nationally. Due to certain governmental policy insufficiencies that existed in both countries, there was a lack of ‘policy complementarity’ between three studied spheres, i.e. various positives within trade policy realm were overshadowed by several limitations within labour and taxation policies. This means that the overall governmental success was limited in both countries, although the overall political economy arrangement was comparatively rather more efficient in Sweden than in Greece. However it needs to be pointed out that Greek governments during the investigated period operated in comparatively more challenging context due to the economic crisis. This meant that the sovereignty of Greek government decisions was partly undermined, nevertheless it was the crisis itself which was the catalyst for certain positive and negative changes, for instance deregulation of the EPL (although with limited positives to SMEs per se) and eventually increases in a number of taxes. On the other hand, Sweden operated in the period of relative political-economic stability, meaning that domestic Swedish governments had more comparable freedom to produce active competitiveness oriented reforms and this opportunity was not utilised especially in the area of strict EPL and high tax burdens.

At the positive end, Swedish and Greek SMEs wishing to embrace exports and upgrade within GVCs, were able to receive positive stimulus from national Swedish and Greek governments which promoted and incentivized such actions in their trade policy plans. This included financial support initiatives, support to industry and high value added SMEs, comprehensive assistance in the form of information provision, as well as advise from government agencies and export promotion organisations (although, both Business Sweden and especially Enterprise Greece had its respective limitations). Although in the case of Greece, it also needs to be remembered that the implementation and execution of these pro-export initiatives was to some extent lacking due to inefficient bureaucracies of the Greek governmental apparatus (especially in the early stages). Overall, however, whilst the trade realm was the positive aspect in Sweden and to some extent in Greece too, when studying all three policy realms (trade, labour and taxation) in relation to each other, problems occurs due to the fact that trade policy realm represents the final stage for SME operations (where an SME reached an operational stage in which it is ready to embrace exports). Instead, labour and taxation policies are more significant for daily operational stages of SMEs, which includes potential SME start-ups, small size SMEs that are aiming to grow and general daily functioning of most SMEs. Here, Swedish and Greek SMEs were negatively hit by some limitations within the labour and taxation spheres, which were insufficiently addressed by the successive governments. As a result, at certain stage of their operations, as suggested by several of my interviewees, some Swedish and Greek SMEs, did not survive the pressure from taxation burdens (in Sweden: high social security contributions placed on employers, high PIT rates, high VAT rates with unclear rules, in Greece: high PIT and social security contributions placed on private sector salaried employment, as well as high CIT and VAT rates post 2013) and pressure from labour realm limitations (in both countries: rigid EPL, labour skills shortages, and high wage costs in Sweden, as well as stifled domestic demands and weak labour productivity in Greece). Thus, as suggested by several of my interviewees, such SMEs negatively affected by taxation-labour realm pressures, never reached the stage where they could embrace advantages from trade promotion policies and export related support provided by the domestic governments. Overall, in Greece the situation was much worse due to structural incentive for SMEs to remain in small sizes and operate in the shadow economy through undeclared economic activity and clandestine employment (such shadow economy SMEs never acquired modern organisational and shareholder structure and in turn never embraced exports). Swedish SMEs were more able to absorb pressures from taxation-labour realms due to various advantages in the institutional realm outlined in chapter 3 (i.e. conducive business environment, accessibility to finance and coherent tripartite relations); and also there were some isolated positives too within taxation-labour in Sweden to domestic SMEs such as low taxation bureaucracy i.e. small overall number of taxes to pay and short time required to comply with them, as well as high labour productivity and high internal demand. In Greece, the taxation-labour realms issues were however added to some burdens that already existed in the institutional realm (business environment hurdles, lack of finance accessibility, and conflictual tripartite relations).

There are ample theoretical implications that arise from the empirical findings presented in chapter 5. The most striking of these are related to the CC literature, about the role of government in economic and public policy making within capitalist models (see chapter 1 section 1.2.4). This chapter, shed light into the role of government within trade, labour and taxation, in two different capitalist models i.e. CME and DME. Interestingly, the openness to free trade and promotion of exports with governmental agendas, which is an LME style competitiveness element, actually proved uncontroversial in both CME and DME cases. This is however unsurprising in Sweden given the traditionally open nature of this economy (meaning that this LME element existed in this country historically) but also it is expected in Greece given that trade and exports were perceived by Greek governments (and the Troika) as necessary to escape from the crisis. The empirical findings however exposed difficulties of Swedish and Greek governments operating in the CME and DME capitalist models to embrace ‘institutional change’ and to transfer deeply entrenched elements such as higher taxation burden and more rigid labour markets, into LME type of competitiveness (i.e low business friendly taxes and flexible labour markets correlated with Lisbon/Europe 2020 agenda). This correlates with the ‘path dependency’ concept, meaning that certain policies and certain ways of organising the political economy (e.g in relation to taxation and the labour market) are deeply embedded in the traditions of these varieties of capitalism, in the political sphere and in societies which are resistant to more radical changes. In the case of Greece, such path dependencies were embedded within the key features of its capitalist model, where labour and taxation realms were the key arenas of clientelistic and rent seeking interactions between individuals (voters) and governments, leading to state capture, whereas Greece's statism and tendency towards bureaucracy undermined trade promotion initiatives. In the case of Sweden, such path dependencies where embedded within distinctive characteristics of its CME model, here labour-taxation realms were inextricably linked to it, showing limits to hybrid nature of the Swedish capitalist variety. To recall, arrangements of Sweden within institutional dimensions analysed in chapter 3 correlated with LME competitiveness solutions, which opened the debate about how hybrid Swedish capitalist model is and whether it more closely resembles an LME type. This chapter illustrated that labour market and taxation were embedded within Sweden's CME traditions, illustrating practical limits to hybrid nature of Sweden's model and its potential convergence to LME model. These findings also hold implications for the IBV literature (see chapter 1 section 1.1.5). Similarly to chapter 3, this chapter's findings provide further incentives to study IBV related institutional components such as taxation and labour market in the VoC context. This takes into account the path dependency and resistance to insitutional change arising from deeply embedded features of capitalist models and consideration of how institutions interact together (e.g taxation and labour in Greece which formed 'shadow economy NIC').

Furthermore, the empirical data from this chapter has theoretical implications related to the GVC literature, namely regarding the role of state/government within GVCs (see chapter 1 section 1.1.3). In terms of government as 'facilitator' in the GVC context (i.e provider of a business friendly environment), the findings illustrate that in practice, this rather basic role can be problematic and more challenging than it is theoretically assumed. Importantly, the understanding of these challenges is facilitated through a theoretical synergy between the GVC and VoC theory on the respective governmental roles (see chapter 1 section 1.1.3 and 1.2.4). This synergy incentivize us to acknowledge that various roles which governments play in the GVC context are affected by the respective capitalist models in which they operate; it is these capitalist models which shape governmental capacity for action on these GVC roles. The theoretical arguments mobilised in this chapter argued that 'facilitator' policies related to lower and simpler taxes as well as flexible labour markets (associated with business friendly environment, that can boost SMEs competitiveness), can prove hard to execute by governments in countries with specific political economy traditions (e.g in CME and DME capitalist models) and in countries that lack fit to these free market competitiveness agendas and lack the reform capacity to execute such policies. It was argued that on the areas investigated in this chapter successive Swedish and Greek governments were more eager to play the 'regulator' role in the context of GVCs (i.e protecting certain interests, restricting economic activity). This is because such governmental role, in relation to investigated areas, was more tailored towards the characteristics of these respective capitalist models. In the trade policy realm, the embrace of such 'regulator' role by these domestic governments was done relatively robustly and had some positive implications for some of domestic SMEs which benefited from pro-export stimulus which was directed to them. Nevertheless, on the labour market and taxation front, the 'regulator' role played by governments in the GVC context had some negative implications for domestic SME competitiveness. In Greece, due to embedded characteristics of its capitalist model (clientelism, rent seeking and state capture) and in Sweden due to path dependencies of its distinctive CME characteristics, governments were inclined to ideologically protect certain groups and interests in the labour market-taxation realms (e.g public sector over private sector workers in Greece or permanent contract vs temporary contract employees in Sweden). Such governmental actions could be interpreted as causes of distortions which inhibit the nation's and SMEs' competitiveness in the context of GVCs (free trade).

Lastly, it is worth emphasizing the correlation between domestic governmental policy with its conduciveness towards competitiveness and the external SMEs export performance. Essentially, governmental policies (within trade, labour and taxes) determine incentive structures and structure behaviour of SMEs. As a result, the functioning of SMEs and their exports and potential upgrading within GVCs, is influenced by governmental agendas. For instance, higher taxes which were favoured by the successive governments in Sweden and Greece, to some extent, disincentivized potential SME start-ups, disincentivized expansions of existing SMEs and as a result some SMEs never reached the size where they could become a firm that is able to export and compete in global trade. Similarly, in terms of labour related issues (insufficiently addressed by the governments), for instance, the high wage costs and rigid labour market (with e.g difficulties to fire staff) in the case of Swedish SMEs and low labour productivity combined with skills shortages in the case of Greek SMEs, meant that such firms faced labour related obstacles which potentially undermined their export related efforts. Of course, on the positive note, those Swedish and Greek SMEs that overcame potential taxation-labour hurdles, were directly incentivized by the national governments to undertake export activities and upgrade via GVCs, due to robust governmental export promotion policies in both countries. It also needs to be remembered that Swedish SMEs were significantly more likely to overcome potential obstacles within taxation and labour market, due to advantages that Sweden possessed in other areas (i.e those discussed in chapter 4) which explains better SME export performance of Swedish SMEs compared to Greek counterparts, despite some obstacles which existed for Swedish SMEs. Overall, in the context of the main research question of the thesis, this chapter has exhibited that conduciveness of the domestic government actions towards competitiveness matters; and it has been presented how this mechanism (as part of the domestic setting) impacts on SME exports.

Chapter 6 Behaviour and Actions of SMEs

Introduction

Following the previous analysis of institutional frameworks within domestic capitalist models and governmental policies in Sweden and Greece, this chapter turns its focus towards the final intervening/mediating variable of SME related to domestic setting (and its conduciveness towards competitiveness) in the context of free trade, namely the micro level actions of SMEs themselves. In contrast to the previous two chapters which investigated conduciveness of the domestic macro level dimensions of relevance to competitiveness and exports of SMEs, this chapter examines the actions which Greek and Swedish SMEs have done themselves to boost their competitiveness and exports. The aim of chapter 6 is to answer the third operationalizable question of this thesis, namely 'To what extent the individual actions of SMEs at the micro level were conducive towards their competitiveness and exports?'. The posed question, will act as a background for the three sections analysed in this chapter. The answer will draw on the combination of the RBV to conceptualise internal resources and capabilities of SMEs (see chapter 1 section 1.1.5) in relation to its interactions with institutional dimensions inspired by the IBV (see chapter 1 section 1.1.5) enriched with the VoC insights (see chapter 1 section 2.1.1).

The first section is exploring survival strategies of Greek and Swedish SMEs (including: local business ecosystems in the form of clusters, firm level strategies, as well as SME management structures and HR practices). The second section is scrutinizing the export promotion strategies of Swedish and Greek SMEs (including: export destinations, operational pillar of export strategies, as well as marketing and general export promotion strategies by SMEs). Following the isolated analysis of these dimensions in each section, the conclusion will combine all actions of SMEs from first and second section, in the context of the overarching question posed for this chapter. The conclusion will make a judgment on whether the micro level actions of SMEs were conducive towards competitiveness and contributed to their exports.

6.1 SME Micro Level Survival Strategies

Introduction

Having investigated the impact of institutional frameworks and governmental policies on exports of SMEs, this section considers the local level business context and micro level actions undertaken by SMEs. Essentially, SMEs themselves are key actors responsible for their own success and survival in the market, hence their internal business dynamics must be studied in order to understand the broader competitiveness puzzle. The first sub section analyses the local business ecosystem which surrounds Swedish and Greek SMEs, namely the existence of clusters and the relations of SMEs with their suppliers. The second sub section explores firm level strategies undertaken by SMEs to compete and survive in the challenging market. The final sub section investigates SME management structures, as well as their Human Resource (HR) practices, in the context of firm competitiveness.

6.1.1 SME Ecosystems

The local level business ecosystem impacts the micro level dynamics of SMEs. At this level, it is important to consider the role of clusters, as highlighted by my interviewees (see interview numbers 4 and 20). Clusters are understood as groups of closely interconnected and complementary industries, concentrated geographically (Ketels, 2012; Delgado et al, 2010). It is important to investigate clusters, because, it has been argued that successful export firms often belong to group of enterprises of the same industry, located geographically close to each other (Porter, 1998); this also partly links to network approach of internationalisation (see chapter 1 section 1.1.5). Within such clusters, firms build strong and long term relations with their suppliers which enhances firm's overall competitiveness (Porter, 1998). Table 45 below places Sweden and Greece within the WEF rank on the state of cluster development criteria, measuring how prevalent are well developed and deep clusters in both countries.

Table 45

State of cluster development, Annually.	Greece (Rank)	Sweden (Rank)
2008	88	14
2009	87	10
2010	99	8
2011	115	7
2012	126	14
2013	128	19
2014	125	20
2015	125	19
2016	117	16
2017	121	16

Source: World Economic Forum (WEF) 2008-2017.

It can be seen that existence of strong clusters was visibly more prevalent in Sweden, whereas Greece lagged far behind. My interviewees shed light into the cluster landscape in Sweden, with one interviewee arguing that:

“clusters are deeply embedded within Swedish economic structure, they were historically important for facilitating exports, whereas successive governments prioritised development of cluster policy to further enhance the business environment” (interview number 21).

As can be seen, clusters are an established institutional element within Swedish variety of capitalism. They further articulated that the most developed clusters in the Swedish economy occurred in sectors (where SMEs operate in) such as: business services, construction, metal manufacturing, information technology (IT) and forest products, especially in Stockholm, which stood out in terms of numbers of well-developed clusters (see interview numbers 21 and 26). Theoretically, the existence and prevalence of clusters in Sweden, connects to the distinctive features of the Swedish CME model, particularly its ‘cooperative’ features (given that clusters are cooperate in nature). Furthermore, it connects to path dependency (given the continuing importance of clusters historically in Sweden) and superiority of exemplar capitalist models (given that government in such model plays sound role in establishing such clusters) [see chapter 1 section 1.2.1; 1.2.2; 1.2.4 and chapter 3 section 3.2.6]. The existence of such strong clusters entails benefits for the micro level of a typical local firm; and influences its business strategy. For instance, one of my SME interviewees from the IT sector, claimed that its strategy on business location was driven by the fact that Stockholm represents one of Europe's most dynamic IT and technology communities and is a start-up hub for such businesses (see interview number 33). As further argued by this interviewee, Stockholm's IT-Technology cluster also generated operational benefits for its SME, by encouraging the transfer of technological knowledge and information through the cluster's agglomeration channels. Moreover, operating within such business climate helped this SME to achieve higher levels of productivity and innovation due to local competitiveness effects, eventually meaning that firm's investment strategy was also shaped by these cluster interactions (see interview number 33). These findings connect to the theoretical IB literature in relation to interactions between the IBV and RBV components (see chapter 1 section 1.1.5) namely how institutions shape internal resources of firms. Here, it was presented how acquisition of intangible resources (knowledge and information) as well as tangible resources (innovative investments) was shaped and facilitated by existence of strong clusters (here clusters can be understood as part of a local level institutional framework).

A strikingly different narrative about the cluster situation was echoed by my Greek interviewees. Here one of my interviewees claimed that:

"lack of any substantial clusters has always been a part of Greece's economy, whilst successive governments have never shown willingness to change it, given that their attention was fixed on other priorities" (interview number 4).

As can be seen, the quote exemplifies that clusters do not constitute a component within institutional framework of Greek variety of capitalism, with successive Greek governments happy to retain this status quo. Theoretically, this state of affairs can be explained through the VoC lens, namely importance of path dependency and the key features of Greece's capitalist model i.e clienteslim, rent seeking and state capture (see chapter 1 section 1.2.1; 1.2.4 and chapter 3 section 3.2.3). In practice, SMEs themselves lacked entry into clientelist channels and were too weak as actors to lobby Greek governments for relevant cluster policy. Instead, governmental side, in order to secure its survival, provided access to clientelist channels to other influential groups (e.g pensioners, public sector workers), as well as to wider sectoral business interests. This explains existence of some clusters in the maritime sector, which is however dominated by large businesses and not by SMEs (interview number 8 (An Economist). This entailed serious consequences for SMEs themselves. As suggested by some of my SME interviewees, in the light of very loose or non-existent clusters, firms had to operate within a regional and local vacuums. They argued that this was an obstacle to flows of information and knowledge, as well as an inhibitor to productivity due to lack of local suppliers; and an inhibitor to innovation due to smaller competitive pressures (see interview numbers 15 and 17). These findings further support the interactive nature of IBV-RBV components (see chapter 1 section 1.1.5) showing the importance of institutions (in this case clusters) in shaping internal tangible and intangible resources of firms. However, in contrast to conventional IB literature, this inter-disciplinary thesis illustrates that the understanding of institutional components (in this case clusters) need to be undertaken in the broader capitalist model context. The VoC lens here, allows to understand the possibility of forming clusters in a given country, as this possibility and/or willingness is determined by the structures and features of respective capitalist models (as illustrated in contrasting CME vs DME models of Sweden and Greece).

The contrasting cluster realities in both countries also framed different relations between SMEs and their suppliers, or SMEs as suppliers themselves to other firms. The tables below illustrate the quantity and quality of local suppliers. In terms of quantity (table 46), Greece performed relatively badly in global standards, by contrast Sweden's performance was patchy. The lack of clusters in Greece was named as the core reason behind the lack of local supplier quantity by my interviewees. They argued that within clusters, it is natural that agglomerations of different company sizes occur between mutually complementary industries, meaning that there is a natural geographical proximity of relevant suppliers (see interview numbers 6 and 12). In Sweden, my SME interviewees were located in the Stockholm's region, hence due to existence of clusters, they were largely claiming that local suppliers were numerous (see interview numbers 34 and 35). One Swedish interviewee representing the timber and forestry industry, argued that clusters also open wider range of opportunities. The interviewee referred to the historical past of his SME and argued that existence of a cluster allowed his initially young and small SME, to become a supplier to a large and experienced local exporting firm, which facilitated the flow of exporting knowledge (see interview numbers 32). The fall of Sweden in this ranking post

2012, could be explained by the fact that Sweden is a relatively geographically dispersed country and increased concentration of clusters in major locations such as Stockholm, Malmö or Göteborg, over the years, could have resulted in the relative decline of local suppliers in other regions, especially in the northern part of Sweden.

Table 46

Local Supplier Quantity (Annually)	**Greece (Rank)**	**Sweden (Rank)**
2008	75	19
2009	64	30
2010	69	28
2011	69	18
2012	83	30
2013	89	43
2014	65	54
2015	72	59
2016	84	55
2017	89	36

Source: World Economic Forum (WEF) 2008-2017.

In terms of quality of local suppliers (table 47), it can be seen that Sweden was a very strong performer in the world, whereas Greece's situation was problematic. My Swedish interviewees articulated that strong clusters generate an entrepreneurial ecosystem which is underpinned by high productivity and innovation, which in turn ensures that high quality firms from complementary industries are located locally. This ensures that the quality of local suppliers will be high and moreover, such cluster driven business environment can shape strong and stable relations between firms i.e SMEs and their suppliers, or SMEs as suppliers to other firms (see interview numbers 20 and 26). In Greece however, in the absence of such clusters, which consequently affected the quantity of local suppliers, the quality of suppliers also suffered, due to the economic crisis. My Greek SME interviewees highlighted that difficult cash flow situations of many firms resulted in delays in payments; and this negatively impacted on relations between SMEs and their suppliers. As articulated by my interviewees one of the measures of a supplier quality, is their reliability and this suffered during the crisis, as cash flow issues delayed payments, prolonged deliveries and destabilised SME-supplier partnerships due to bankruptcies or financial difficulties of business partners (see interview numbers 14 and 16). One of my interviewed SME managers, highlighted that he faced a combination of these difficulties in his relations with suppliers, in the early stages of the economic crisis. Essentially, this entrepreneur's SME specialises in production of composite and plastic pipes designed for various applications, by focusing on the final assembly of these products, however the business is dependent on the supply chain for various raw material items and components to assemble these products. Here, the difficulty within the supply chain occurred for various activities in which the SME specialises in; its main supplier related to drainage systems bankrupted, its supplier for geothermy related production substantially delayed its deliveries, whereas relations between the SME and its supplier for solar systems worsened due to inability to renegotiate longer payment terms as a feasible solution (see interview number 18). In this way, the supply chain difficulties destabilised this SME's production of pipes for various applications. The manager explained that he managed to navigate around these difficulties due to his strategy of setting contingency planning (which he established prior to the crisis) which was based on building connections with alternative suppliers and these contacts became indispensable during the crisis period (see interview number 18). Overall, this often meant that the market survival strategies of Greek SMEs during the crisis had to reframed, in order to adjust to the new reality, by for instance renegotiating the terms and conditions with existing suppliers or searching for the new ones. The above micro level insights further enhance the need to study IBV-RBV components in its interaction (see chapter 1 section 1.1.5) underpinned by the VoC lens. Here, in the case of Greece, it can be seen how the institutional framework (e.g lack of clusters) understood in the broader capitalist variety context (i.e crisis prone nature of the Greek economy) impacts on not only resources of SMEs but also on 'capabilities' of SMEs. Such capabilities are vital for their navigation around the challenges which stem from their surrounding environment (for further elaboration see overall conclusion of chapter 5).

Table 47

Local Supplier Quality, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	44	6
2008	61	8
2009	61	6
2010	68	5
2011	69	5
2012	67	8

2013	63	8
2014	66	10
2015	69	9
2016	56	6
2017	61	7

Source: World Economic Forum (WEF), 2007-2017.

6.1.2 SME business strategies

The focus here is placed on the plans and strategies undertaken by SMEs in order to maintain and expand their market positions and survive on the challenging market. Given that SMEs in Sweden and Greece, operated in divergent institutional-policy level contexts (analysed in chapters 3 and 4) and in visibly different economic situations (post 2010 stability period in Sweden and the crisis period in Greece), the short-medium term market survival strategies differed for Greek and Swedish SMEs. My Greek SME interviewees emphasized the importance of focusing on their cash flow issues and repairing their firm finances (which involved negotiating with banks in the case of loans, chasing up customers who did not pay, negotiating longer payment terms with suppliers). In addition to this, Greek SMEs in their short-medium term market survival strategy also focused on cutting the costs, which for instance entailed staff downsizing (see interview numbers 15 and 16). By contrast, Swedish SMEs which operated in a more conducive business climate, embraced short-medium term survival strategies tailored towards their situations. My Swedish SME interviewees, highlighted the role of customer service and firm-client interactions in order to retain existing customers and attract the new ones (this included for instance occasional discounts, loyalty schemes and increased marketing investments with a more sophisticated promotional tools) [see interview numbers 32 and 35]. These findings connect to the theoretical literature; namely the need to study interactions between RBV-IBV components in the broader VoC context (see chapter 1 section 1.1.5; 1.2.1). Essentially, it can be seen that different institutional-policy level fundaments of capitalist models and different economic situations which stem from them (e.g crisis prone nature of Greek VoC and stable nature of Swedish VoC) set different implications for capabilities of domestic SMEs. In practice, due to these different context, Greek and Swedish SME entrepreneurs needed to possess and prioritise different capabilities to survive and thrive on their respective markets. Of course, it needs to be acknowledged that all economies go through boom and bust cycles, meaning that crisis do occasionally occur in the ‘stable’ nature of the Swedish VoC too, however the Greek VoC is significantly more crisis-prone due to its internal features; which entails implications for Greek SME managers (for further elaboration see overall conclusion of chapter 5).

However in terms of their longer term market survival strategies, SMEs from both countries largely drafted similar plans, by focusing on embracing technology in order to boost internal firm competitiveness and create added value to their businesses (see interview numbers 16 and 33). This correlates with findings which manifest that technological innovations play a significant role in ensuring a long-term survival of SME businesses (see Rahman et al, 2016 for a literature overview). The need to embrace technology at the micro level of a firm, was an urgent necessity for Greek SMEs, by looking at below tables. It can be observed in table 48 that Swedish firms (including SMEs) scored generally very high in terms of their nature of competitive advantage, meaning that they were largely specialising in unique products and processes. By contrast, the performance of Greek firms was modest, meaning that many Greek firms still competed on low cost products with a lot more scope to embrace more sophisticated products and processes.

Table 48

Nature of Competitive Advantage, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	45	8
2008	34	5
2009	36	6
2010	50	5
2011	57	11
2012	57	12
2013	48	12
2014	42	15
2015	44	11
2016	44	6
2017	48	7

Source: World Economic Forum (WEF), 2007-2017.

A similar disparity between Greece and Sweden is illustrated in table 49, which exhibits the value chain breadth of exporting firms (including SMEs). The star performance of Swedish firms on this rank meaning that they had a broad presence across different steps of the value chain e.g apart from production they also performed product design, marketing, sales, logistics and after sales services. By contrast, the poor rank of Greek exporting firms on this rank, indicates that they had a narrow presence in the value chain, which may simply include involvement in individual steps e.g production rather than presence across various activities.

Table 49

Value Chain Breadth, Annually	**Greece (Rank)**	**Sweden (Rank)**
2008	53	1
2009	58	4
2010	75	3
2011	83	2
2012	94	4
2013	84	6
2014	73	7
2015	75	4
2016	66	3
2017	72	5

Source: World Economic Forum (WEF), 2008-2017

Overall, by looking at tables 48 and 49, it can be seen that Greek firms urgently need to focus on technological upgrading in order to transform their comparative advantages and broaden their value chain involvements; whereas Swedish firms needed that to maintain and expand their market positions. Hence, it is worth reviewing the progress which Greek and Swedish firms (including SMEs) made over the years with embracing technology at their micro level. Table 50 manifests firm level technology absorption, which measures the extent to which businesses absorb new technologies. It can be observed that Swedish firms absorbed new technologies very intensively and were open to new technological innovations, with Sweden ranking as world leader during several years. By comparison, Greek firms were visibly weak in absorbing new technologies. However, it needs to be remembered, that the latest technologies were not available in Greece to the same extent as in Sweden, due to a poorer national innovation system (see chapter 3 section 3.1.2) and the lack of clusters preventing the flow of technologies to the micro level of firms (see interview numbers 11 and 13).

Table 50

Firm Level Technology Absorption, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	83	3
2008	90	4
2009	98	6
2010	91	2
2011	89	1
2012	94	1
2013	88	1
2014	74	9
2015	72	9
2016	73	2
2017	75	1

Source: World Economic Forum (WEF), 2007-2017.

A comparable disparity between Greece and Sweden, is evident within production process sophistication (table 51), with Sweden ranking very strongly, meaning that Swedish firms (including SMEs) used the world's best and most efficient production process technology. By contrast, poor scoring of Greek firms on this dimension, indicates that they largely utilised labour intensive methods or older versions of technology in the production processes.

Table 51

Production Process Sophistication, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	41	5
2008	51	2
2009	63	4
2010	70	4
2011	64	4
2012	69	6
2013	79	9
2014	76	8
2015	65	5
2016	58	3
2017	58	5

Source: World Economic Forum (WEF), 2007-2017.

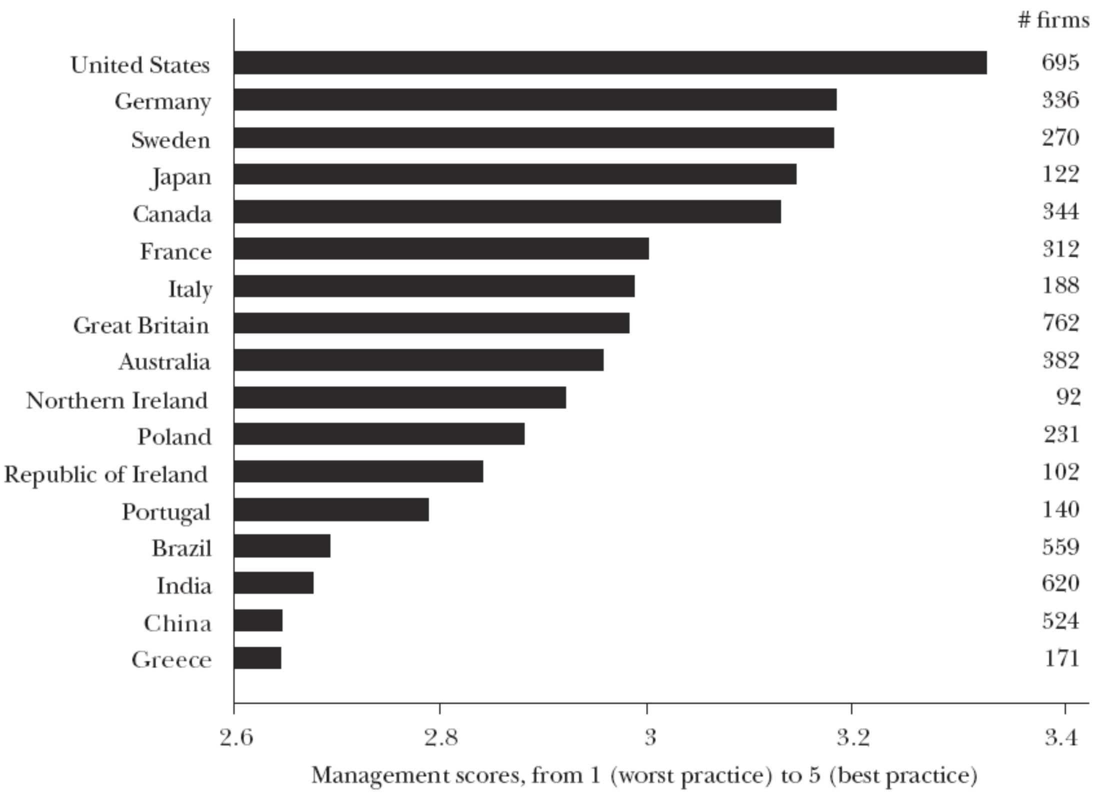
Here, however, we need to take into the account the challenging business environment and micro level situations in which Greek firms operated in during the economic crisis. One of the Greek SME managers (specialising in marbles and other decorative stones) in my interviews, argued that due to the economic crisis and problematic financial situation of his SME, the whole firm strategy based on embracing advanced technology needed to be readjusted and tailored towards new business environment and firm conditions. Essentially, shortly prior to 2010, the entrepreneur planned to invest into modern automated technology for block cutting and polishing of marbles, in order to increase efficiency of his marble processing activities (see interview number 16). However, due to the economic crisis, the domestic and international demand for these products decreased and this SME was still repaying instalments from its existing bank loan. These conditions shaped this entrepreneur's decision to defer his strategic investment for a few years, when demand for products picked up again and firm's finances improved. This provided the SME with time to conduct required cost restructuring within the firm (to generate savings necessary for short term survival strategy) as well as time to finish repayments of previous loan, which improved firm's finances and this proved crucial when applying for a future bank loan to fund the investment (see interview number 16). Overall, this case highlights the inevitable dilemmas which many Greek SMEs faced post 2010, meaning that often despite their willingness to modernise their production processes, they were practically unable to carry out such investments. By contrast, Swedish SMEs operated in a more conducive economic-business environment which facilitated such investments without unnecessary forced delays. Theoretically, once again these findings support the need to study how institutions shape resources and capabilities of firms (IBV-RBV interactions) in the broader capitalist context, using VoC lens (see chapter 1 section 1.1.5; 1.2.1). This theoretically integrative approach, facilities more nuanced understanding of differences in micro level stories i.e understanding of complexities in survival strategies of Greek SMEs and challenges they had with execution of such strategies; domestic context stemming from capitalist model plays an important determining role here.

6.1.3 SME Management Structures and HR practices

Another important area of relevance to boosting firm competitiveness at the micro level of an SME, is the role of management structures and Human Resource (HR) practices. Academic literature highlights the importance of both; general management practices (see Salazar-Elena and Guimón, 2019; Forth and Bryson, 2018) and HR practices (see Rauch, 2011; Mulolli et al, 2015) in boosting performance, productivity, survival rates and competitive advantages of SMEs. These aspects also correspond with the RBV theory (see chapter 1 section 1.1.5) where management and HR practices are viewed as important internal capabilities of managers in relation to their resources.

In relation to management practices, traditionally, the quality of Swedish management was considered high by global standards whereas the Greek management was considered of poor quality. The disparity between both countries can be for instance seen in the comprehensive study conducted by Bloom and Van Reenen (2010), with results depicted in figure 11

Figure 11: Management Scores Across Countries



Vertical Axis- countries
Horizontal Axis- Management scores
Source: Bloom and van Reenen (2010)

My interviewees shed light into some reasons behind the weak quality of Greek management. The main reason related to historically poor Greek entrepreneurial education which lagged behind the European standards. To complicate matters, the general climate post 2010 crisis became hostile to entrepreneurship, which made it harder to push for greater introduction of entrepreneurship into the Greek education (see interview number 11). As a result, one of my interviewees argued that:

“Greek SME managers lack sufficient managerial skills and knowledge to operate in a dynamic and competitive global economy” (interview number 10).

Hence, here it can be argued that inadequate entrepreneurial education in Greece, is one of the factors behind struggles of Greek SME managers in their export journeys. Theoretically, this finding entails weak managerial capabilities which however are further undermined by the key features of Greece’s capitalist model (i.e clientelism, rent seeking, and state capture). Essentially, Greek SME managers lacked entrepreneurial wealth creating capabilities because they were socialised in the institutional-policy environment underpinned by these key features of the Greek capitalist model. This links with the interconnected nature of IBV-VoC-RBV components (see chapter 1 section 1.1.5; 1.2.1).

Overall, Greek management scored poorly, whereas Swedish management scored strongly, on each component of management (monitoring, targets and incentives) which constituted the overall management scores in the study exemplified in graph 17. This could be interpreted as a structural weakness in management techniques used by Greek managers, by contrast in Sweden, management practices can be viewed as a source of strength which boosts firm competitiveness. To use, RBV’s terminology, Swedish entrepreneurs possessed visibly stronger managerial capabilities than their Greek counterparts. A similar disparity between both countries, displayed throughout the investigated period is manifested in table 52 below, which alludes to the reliance on professional management dimension from the WEF. Sweden’s very high rankings on this dimension indicates that senior management positions were occupied by professionals chosen by merit and qualifications. In comparison, Greece’s profound underperformance on this dimension shows that senior management positions were often occupied by relatives or friends without commitment to the merits criteria. This trend results in negative consequences, my interviews manifested that on average Greek SMEs are likely to be family owned firms which for instance in the future appoint eldest son as the manager and this is likely to generate some mismanagement issues, which in turn undermine internal competitiveness of an SME (see interview number 7).

Table 52

Reliance on Professional Management, Annually	**Greece (Rank)**	**Sweden (Rank)**
2008	92	1
2009	94	1
2010	98	1
2011	97	1
2012	103	5
2013	104	4
2014	98	9
2015	101	10
2016	95	2
2017	81	7

Source: World Economic Forum, WEF, 2008-2017.

In relation to firm level HR practices, my SME interviewees from both countries pointed towards similar HR management strategies. These predominantly focused on incentives to attract new human capital as well as to retain existing one, schemes to promote and reward high performing staff and mechanisms of removing poor performing staff (see interview numbers 14 and 34). SME managers from both countries however differed in a more nuanced details of these areas. For instance, strategy of Swedish managers was more long term, it focused on investing into employee development (i.e staff training) moving workers into different roles in case a weakness was identified (rather than removing a worker) and directing substantial efforts to retaining their top talents (see interview number 35). By contrast, Greek managers were more willing to quickly remove poor performers, as well as more eager to rapidly promote and reward high performers, hence the strategy was more directed towards short term aims and immediate results (see interview numbers 17). Of course, SMEs in Sweden and Greece operated in comparatively different labour markets (see chapter 5 section 5.2.1) which framed the scope for execution of the micro level HR strategies, with the surrounding business context being significantly more challenging for Greek SMEs compared to their Swedish counterparts. This could have contributed to highly contrasting scores of both countries in WEF rankings on dimensions relevant to firm level HR strategies (theoretically this contributes to previously mentioned interconnected nature of IBV-VoC-RBV components; see above, and chapter 1 section 1.1.5; 1.2.1). Table 53 below illustrates that Swedish companies invested heavily into training and development of their employees, with Sweden continually ranking in top 10. By contrast, Greek companies highly underspent on staff training and created fewer development opportunities for their employees. This data correlates with my interviews, for instance with the long term HR strategy of Swedish managers which perceived skilled workforce as the fundament of firm competitiveness. However in the case of Greece, its weak position on the extent of staff training, can only partly be explained by their HR strategy (with a more restraint willingness to staff training), but instead the major reason seemed to be the weak financial position of many firms, meaning that they were unable to afford investment in developing staff skills (see interview number 4).

Table 53

Extent of Staff Training, Annually	**Greece (Rank)**	**Sweden (Rank)**
2008	81	4
2009	101	1
2010	105	1
2011	114	2
2012	115	6
2013	116	7
2014	112	10
2015	91	8
2016	76	4
2017	83	8

Source: World Economic Forum (WEF), 2008-2017.

Given the importance of culture (as an informal institutional dimension) to VoC studies [see chapter 1 section 1.2.1]; it is worth to further unravel the impact of national cultural characteristics and traits (within Greek and Swedish capitalist models) on the management and HR practises of SMEs (i.e on managerial capabilities of entrepreneurs to use RBV’s terminology- see chapter 1 section 1.1.5). A conceptual framework allowing for this study is Hofstede (1980) cultural dimensions model, frequently used in contemporary business and management studies. Essentially, Hofstede's model investigates different national cultural dimensions (on a scale between 0 and 100) and their impact on a business setting (see chapter 1 section 1.2.1). One of these dimensions is power distance, which measures the willingness to delegate authority and relations between the highest management and employees at the subsequent lower levels within a firm. It can be seen in figure 12 that the results for power distance, correlate with table 51 on WEF data on willingness to delegate authority; with power distance significantly higher in Greece compared to Sweden. The results from table 54 and figure 12 on power distance, indicate that Greek managers were likely to control all major decisions and centralised authority in their own hands. This indicates a hierarchical model of management and a more restrictive approach to HR where employees operate as rule takers with lesser involvement in company affairs and fewer interactions with the top manager. By contrast, in Sweden, authority within firms was often delegated to lower levels, with decisions made in a non-hierarchical manner and with employees treated as partners of the managers. My interviewees emphasized that the feature which makes Sweden special in terms of its micro level management and HR practices is the culture (i.e informal institutional dimension). As exemplified by one of my interviewees:

"the trust between people is at the heart of interpersonal relations within the economy and society, leading to positive spill over effects" (interview number 22).

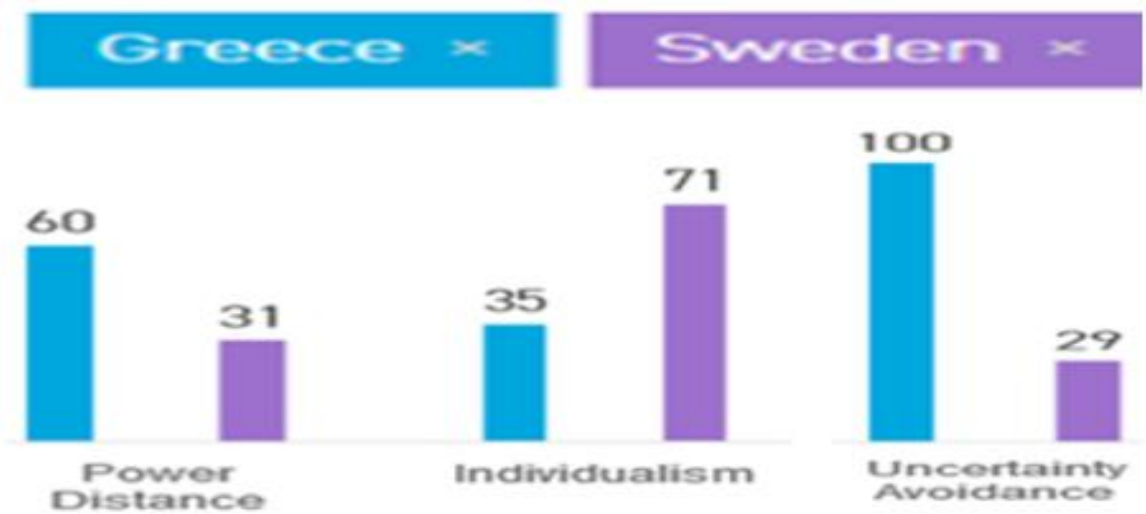
As can be deducted from this quote, various economic actors (e.g business) rely on trust in relations with their partners, which provides solid cultural basis for institutional foundations in Sweden. My interviewees explained the power distance dimension further with an interesting contrast between how SME managers perceive management and HR practices. A Greek manager from an SME specialising in healthy Mediterranean food, made a correlation between a willingness to reduce power distance within a firm based on the sectoral speciality of a business (e.g it is utilised more in innovation based sectors, rarely in others (see interview number 14). By contrast, a Swedish manager from an SME specialising in fish and seafood (hence broadly the same sector as the mentioned Greek manager) indicated that power delegation and decentralisation within workplaces is determined by the Swedish cultural influences and these apply to all business sectors, with participative style of management almost an expectation from the side of employees (see interview number 34). The findings from the management literature are often critical on the negative consequences from high power distance and unwillingness to delegate power within a firm setting, which include weak communication, poor quality decisions and unethical behaviour (see Khatri, 2009), hence tending towards the Swedish rather than Greek model. In consequence, the reduction of power distance and willingness to delegate authority within a workplace, can be considered as an effective management technique (managerial capability). Thus, if utilised well, it can be treated as an innovative asset and competitive advantage of Swedish SME managers in the context of free trade (due to its organisational effect on firm efficiency) compared to the Greek counterparts.

Table 54

Willingness to Delegate Authority, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	73	1
2008	84	1
2009	94	1
2010	102	1
2011	105	1
2012	110	2
2013	103	2
2014	92	4
2015	91	4
2016	90	4
2017	93	2

Source: World Economic Forum (WEF), 2007-2017.

Figure 12: Cultural Comparison of Greece and Sweden



Source: Hofstede (1980)

Another cultural dimension from Hofstede's (1980) model worth mentioning in relation to management and HR practices of firms, is individualism. As illustrated in figure 12, Sweden with a high score of 71 is defined as an individualist society (underpinned by loosely knit social framework), whereas Greece with a score of 35 is considered as a collectivist society (with people belonging to groups within a society and more closely caring about each other). The differences on this dimension entail consequences for the management and HR processes as manifested in my interviews. The signs of individualist tendencies were indeed present amongst my Swedish SMEs interviewees, with one manager placing emphasis on hiring and promotion based on merit (an indication of individualistic approach) and another claiming that his management technique is the management of individuals rather than a team as a single unit (see interview number 32 and 33). In comparison, the culturally collectivist aspects were present in my Greek interviews. One Greek SME manager, specialising in virgin olive oil, highlighted how she as an older member of the family, integrated her own children into firm's affairs and employed them into management positions of the firm, highlighting that it is a natural practice in Greece given the large number of family owned businesses (see interview number 15). Another Greek SME manager (from the IT sector) also alluded to the culturally collectivist aspects, but in a more negative tone, arguing that often it can lead to nepotism and firm mismanagement among Greek family owned businesses (a view shared by academic interviewees, see interview number 17). The same entrepreneur instead proclaimed that his hiring process are solely based on merit but the collectivist aspect exists when he is aiming to build trustworthy and long term relations with an employee (see interview number with number 17). Overall, when comparing different managerial and HR styles through this dimension, it can be argued that the Swedish individualistic culture is more conducive towards effective firm management and professional HR practices, benefiting firm efficiency and its competiveness in the context of free trade. Importantly, from the theoretical point of view, the score of Sweden on individualism dimension (similarly to previously analysed low power distance score) is traditionally considered with LMEs on the variety of capitalism spectrum rather than with CMEs. This finding (in terms of informal institutional dimension- i.e culture) further contributes to previous debates about the extent of hybrid nature of the Swedish capitalist model which combines LME with CME elements (see chapter 1 section 1.2.2; and chapter 3 section 3.2.6). By contrast, the impact of the Greek collectivist culture is more complex, amid certain benefits for the micro level of firms (such as firm friendly environment), the risk of nepotism and firm mismanagement that stems from it (as highlighted in my interviews), can result in the loss of micro level competitiveness in the context of free trade. Theoretically, the existence of collectivist culture in Greece (and its score on previously analysed power distance) as an informal institutional dimension is however not surprising and is in line with key features of Greece's capitalist model such clienteslim, rent seeking and state capture (see chapter 1 section 1.2.4 and chapter 3 section 3.2.3). In such capitalist models, individualism is rather muted and collectivism preferred; whereas societal and organisational structures are more hierarchical leading to high power distance.

The final cultural dimension from Hofstede's (1980) model chosen to consider for this section, is uncertainty avoidance. This dimension considers the extent to which uncertain, ambiguous and unfamiliar situations are tolerated by members of a given culture. It can be seen in figure 12, that, Sweden has a low preference for avoiding uncertainty, meaning a relatively relax attitude when such situations occur, by contrast, Greece's score is striking, as it is the highest score on this dimension, meaning that as a society Greeks are very uncomfortable with uncertain situations. These cultural divergences led to different management and HR practices used by SMEs, as well as entailed broader implications for SME operations. The Swedish SME managers, in my interviews, highlighted that in general, they aim to reduce the amount of uncertain situations for their employees, but articulated that on average their employees are relatively comfortable with accepting and tolerating levels of uncertainty and are flexible to adapt (see interview numbers 32 and 35). Importantly, a Swedish SME manager from the IT sector claimed that Swedish cultural traits (related to uncertainty avoidance) entail positive consequences for innovation embracement, given that, both the managers and employees on average are open for innovations and are not threatened by the uncertain risks involved in adapting new technologies (see interview number 33). Moreover, one Swedish academic claimed that relative tolerance of uncertainty by Swedes, means that rules and regulations (both within the economy and micro level of firms) do not need to be numerous, strict, or fixed; providing its efficiency benefits for the economy and micro level of firms (see interview number 24). A highly contrasting story, was apparent in my interviews in Greece. SME mangers from Greece expressed their unease about the level of uncertainty which faced their businesses during the crisis post 2010 (which is totally understandable given the scale of the crisis and repercussions for several SMEs). Nevertheless, two of the managers explicitly mentioned that due to cultural traits, Greek employees are weak when dealing with uncertainty, one manager articulated that he had to adjust his HR strategy to the uncertain economic crisis situation, by directing more attention to being transparent with his employees about the firm’s strategic plans and future (see interview numbers 15 and 18). The other Greek SME manager highlighted that Greece’s cultural characteristics (related to disproportionately low tolerance for uncertainty) had in general negative consequences for Greek economy and business environment. This is due to society’s preference for high number of strict rules, laws and regulations, which were supposed to create certainty, but instead produced disproportionate bureaucracy, with its negative implications for SMEs (see interview number 14). In general, it can be argued that, similarly to power distance and individualism dimension, the uncertainty avoidance dimension is another cultural feature of the capitalist model, where Swedish SMEs can gain firm level competitive advantage over their Greek counterparts in the context of free trade. This is due to superior Swedish adaptation to uncertainty which facilitates more flexible management and HR practices by the Swedish managers as well as greater tolerance for innovation embrace, compared to the more constraining cultural underpinnings that Greek SME managers face. Theoretically, the uncertainty avoidance dimension complements previously analysed cultural dimensions in building an LME style cultural underpinning for Swedish capitalist model, whereas in Greece, uncertainty avoidance joins previously analysed cultural dimensions in enhancing key features of Greek capitalist model (see conclusion of chapter 5 for further elaboration of this theoretical contribution). Additionally, the findings in this section, using culture as an informal institutional dimension, contributed further to the previously mentioned interconnected nature of IBV- VoC-RBV components; see above and chapter 1 section 1.1.5; 1.2.1). Essentially, it has been presented how culture in its informal institutional sense (an IBV component) is underpinned by fundaments of capitalist model (VoC component) and how this shapes and determines the capabilities of SME managers (RBV components) i.e the scope of action and/or willingness of managerial action on HR practices (see conclusion of chapter 5 for further elaboration of this theoretical contribution).

To summarise, in response to this chapter's overarching question, asking to what extent the individual actions of SMEs at the micro level were conducive towards SME competitiveness and exports, this section presented contrasting stories between both countries, with a positive picture for Swedish SMEs and a troubling view on Greek SMEs. To begin with, Swedish SMEs frequently operated in a conducive and competitive local level business ecosystem due to existence of clusters, which meant that they have built solid relations with high quality local suppliers, which consequently allowed those SMEs to plan their micro level competitiveness strategies more effectively for longer term. Conversely, the local business ecosystem for Greek SMEs was very challenging, in the light of lacking clusters and local suppliers, high level of uncertainty prevented Greek SMEs from planning strategically to boost competitiveness in the longer term but instead it confronted them with short term survival issues to resolve. At the level of business strategies, long term vision of SMEs in both countries was similar and focused on embracing technology as value added to business activity, however the overall micro level execution by firms differed, with Swedish firms much more likely to absorb technology and introduce sophisticated production processes. A similar disparity between micro level actions between firms in both countries was visible in relation to management and HR areas. Compared to Greek firms, Swedish firms, were more likely to be well managed with reliance on professional management and were underpinned by low power distance within the firm, with high willingness to delegate authority to employees at the lower level. These trends correlated with the informal institutional factors within capitalist models, in the realm of culture. A more individualist culture in Sweden was more conducive towards effective management, as opposed to more collectivist Greek culture which was prone to nepotism and firm mismanagement. Similarly, country differences within uncertainty avoidance, went in Swedish SMEs favour, due to superior adaptation to uncertainty and higher willingness to risk taking, as opposed to rigid mentality of Greek people towards handling uncertainty with disproportionate number of rules and regulations which this entailed. Overall, these management-HR level advantages of Swedish SMEs could be interpreted as competitiveness assets in the context of free trade which Greek SMEs lacked. Theoretically, this section has developed a promising conceptual synergy between the IBV-VoC-RBV components; using the example of clusters, micro level stories of SMEs and informal institutional apparatus i.e culture. Using debates about culture, it has also shed more light into hybrid nature of the Swedish capitalist variety and underpinning features of the Greek capitalist model.

6.2 SME Micro Level Export Strategies

Introduction

In the previous section of this chapter, it has been established how SMEs in Sweden and Greece, with their firm level strategies, aimed to build internal firm competitiveness in order to survive at the domestic level context. This section moves further, by studying how Swedish and Greek SMEs intended to stay competitive with their external exports; thus focusing on SMEs survival strategy in relation to their presence in external markets. The chapter 5 section 5.1.1, has already outlined the export strategies at the governmental level of both countries, with an assessment that successive governments in both countries were highly committed to export driven growth, as well as export promotion with various agendas and incentive programmes. This section, on the other hand, focuses on export strategies of SMEs themselves, hence moving the analysis away from the macro to the micro level. The actions of SMEs to maintain their export positions are important to consider in the light of the overall question of this thesis, i.e how the domestic setting impacts on SME exports, here SMEs themselves are actors responsible for navigation around the domestic context and taking advantages from it in relation to their exports. In consequence, this section will examine the competitiveness driven actions of SMEs in relation to their exports. The first sub section examines export orientation of Greek and Swedish SMEs in terms of their market destinations, as well as their challenges in those markets. The second sub section concentrates on various aspects of the operational pillar of export strategies used by SMEs from both countries, whilst the final sub section focuses on marketing and general export promotion strategies by SMEs.

6.2.1 Navigating Around Export Destinations of Greek and Swedish SMEs

Whilst the general export destinations of Swedish and Greek businesses during the investigated period were already presented in chapter 3, this section directs attention to micro level stories from my interviewed Greek and Swedish SMEs, in relation to external market destinations for their exports. In general, the trend which was observable amongst my interviewed Greek and Swedish SMEs (of course a trend within a very limited sample- see methodology section in the introduction for the list of SME interviewees), was that those SMEs post 2008 crisis increasingly turned their export orientation outside of EU, i.e to other developed countries but also increasingly to emerging market destinations. This can be empirically justified on two grounds. Firstly, the European region was the most severely hit by the implications of the 2008 crisis, compared to other regions (European Union, 2013), thus incentivizing European SMEs to look for export destinations in global rather than regional markets. Secondly, the emerging markets managed to economically recover from the crisis and escape recession faster than developed counties (Kose and Prasad, 2010; Didier et al, 2011). This meant that developing countries (emerging markets) became an attractive export destination for many European SMEs due to higher demand potential in such countries. Of course, it can be recalled from chapter 3 sections 3.2.2 and 3.2.5, that Swedish SMEs in general were much more active in terms of embracing extra-EU exports compared to Greek SMEs. This means that on average Swedish SMEs were much more likely to tap into potential offered by developed countries outside the EU and by the worldwide emerging markets. Nevertheless in my interviews, exporting SMEs from both countries were active in at least one country outside of EU (either developed or emerging market). This manifests the importance of 'global' dimension in GVCs (see chapter 1 section 1.1.2). Theoretically, arguments can be made that in the times of crises, firms, in order to save costs (such as transport) will direct their export activities towards regional rather than global markets and operate mostly within regional value chains, especially in the case of SMEs, given their smaller size and weaker internal resources compared to large firms. Whilst, such regionalisation view certainly holds true in some cases, it cannot be generalised and should be open to see the alternative trends. The experiences from my interviewed SMEs, highlight the importance of 'global' in GVCs (during the crisis environment) and the significance of SMEs as increasingly flexible actors which can adapt in the crisis moments and increasingly embrace GVCs. The next two paragraphs will shed light into micro level stories from my interviewed SMEs, in relation to their export experiences in outside-EU markets.

Embracing the potential of emerging markets/developing countries and retaining a strong export presence in such markets is not an easy task for SMEs. This is illustrated in my comparative story of two SMEs which tackled such markets; featuring a Greek Mediterranean food SME exporting to China since 2012 and a Swedish forestry/timber SME exporting to United Arab Emirates (UAE) since 2010 (and subsequently to other Middle East countries). Both SMEs articulated rather different motivations which shaped their decisions to seek exporting opportunities in those outside-EU markets. For the Greek SME, the main reason was the collapse of domestic demand in Greece due to the economic crisis, as well as not fully recovered demand for its products in some other export destinations (Europe, USA); this incentivized the manager to explore the biggest market in the world-China (see interview number 14). By contrast, for the Swedish SME, the main reason was the stage in which the SME was in (including solid financial position, indicating readiness to tackle more challenging markets) and the attractiveness of UAE and other Middle Eastern countries as export destinations due to high demand for forestry and wood based products, proven by the success of many other Swedish firms which successfully established their position in those markets (see interview number 32). Here, it should be remembered that these particular outside-EU markets were not covered by EU free trade agreements (at the time of entry of these two SMEs into these export destinations). This entailed the first exporting challenge for these SMEs, namely the tariffs, which increased the final price of exported products in those target destinations (see interview numbers 14 and 32). In order to navigate around this challenge, both SMEs strategically focused on polishing the quality of their products given that their exports had to compete on quality and not on price in those markets. This was possible due to the nature of these products. It was easier for the Swedish SME, since the middle eastern customers already cherished the high quality of Swedish timber and forestry products and were willing to pay the price for high quality, whereas the Greek SME eventually reached this stage but firstly needed to build brand reputation in China for Mediterranean food in order to sell it for higher prices (see interview numbers 14 and 32).

Whilst the more detailed aspects of operational strategy (which SME mangers used in their target export destinations) will be analysed in the next sub section, it is worth here to also briefly outline the general challenges which both SME interviewees faced in their respective destinations and how they navigated around them. The Greek SME in China, initially faced the dilemma when choosing its target market (i.e which customers and which regions to target at first). It eventually decided not to target the whole country at first, due to large Chinese population and disproportions in incomes between regions, instead it focused its efforts on selling to the most developed cities and regions, such as in the southeast of China. This proved to be an effective market entry method and through the process of learning the Chinese market, with time, it manged to successfully reach some of other Chinese regions too (see interview number 14). Another challenge which the SME faced in China, was the constant appreciation of the importance of Chinese culture in its operational and marketing activities. This meant that the SME manager had to learn the cultural aspects of doing business in China and implement them in its business strategy. For instance, this entailed the usage of red colour in its product labels to increase the appeal to the Chinese customer audience (given that red colour is the most popular in China, representing happiness, luck, among other aspects) or using certain words (which are meaningful in the Chinese culture) in the communications with his Chinese distribution partners (see interview number 14). By contrast, the Swedish SME in the Middle East, due to the nature of its chosen market destination, faced the challenge of political risks which the region poses (including legal and regulatory changes, import restrictions, terrorism, violence, corruption and unstable political situation). Initially, the SME chosen- the UAE, considered as a relatively safe export destination, however when reaching other markets (i.e Egypt, Algeria, Morocco and Saudi Arabia) the SME navigated around the perceived risk, by purchasing an insurance/guarantee product at a bank to mitigate the potential risks. The SME manager mentioned the occasion where the insurance product has been activated in practice to the benefit of SME, due to an issue with his distribution partner in Morocco, related to non-payment and contract breach issue (see interview number 32). Overall, in the context of the sub question for this chapter and theoretical contributions, these two stories reveal that navigating around export journeys is a challenging process. This entails an importance of possessing necessary skills (i.e managerial capabilities) in order to embrace such export opportunities in foreign markets. However, as already identified in the previous section of this chapter, due to different domestic educational and cultural features, Swedish managers outperform their Greek counterparts in terms of managerial skills. Whilst not reflected in the particular story above, it can be assumed that, generally, superior managerial capabilities of Swedish managers are likely to act an as advantage in dealing with outlined export journey challenges; compared to Greek managers who may lack sufficient strategic skills in such situations.

6.2.2 Operational Pillar of Export Strategy

The following section concentrates on the broadly defined ‘strategy’ dimension, as an important competitiveness oriented micro level action undertaken by SMEs in relation to free trade. More specifically, it analyses various aspects of the operational pillar of export strategies used by my interviewed SMEs. These aspects include: planning, organisation and execution (i.e different stages of the operational strategy for exports).

At the heart of the planning aspect of the operational strategy for exports used by my interviewed SMEs was an export plan. As claimed by one SME manager, an export plan allows the firm to navigate around uncertainty associated with foreign market journey (see interview number 34). At the level of export plan components, my interviewed SMEs emphasized broadly the same aspects, such as: market research for export destination, risk management planning, internal firm assessment and financial planning (see interview number 15 and 35). The specific aspects of these export plans shaped the decisions and actions undertaken by my interviewed SMEs. For instance, the picture from the export plan which emerged to the Greek SME (specialising in marbles and other decorative stones) was to defer its entry into its next export destination (the US) due to its realistic assessment of company’s strengths (see interview number 16). Essentially, the manager realised that serving another market, entails increased internal productivity of the firm needed for scaling up, however the company’s circumstances forced it to delay its investment in new production technology which would boost its productivity (for more details on company story see section 6.1.2 from chapter 6). In consequence, the SME manager decided to defer his export venture to the USA after its new technology was purchased and firm productivity boosted. This proved to be necessary in order to later compete on the American market with strong Latin American competitors which export marbles and decorative stones to the USA (see interview number 16). By contrast, the export plan of the Swedish SME manager specialising in manufacturing of electronics goods, indicated, that the firm’s budget was not enough to embrace exports outside of EU in its initially preferred time, meaning that its decision to enter outside-EU market had to be delayed (see interview number 35). The entrepreneur articulated that whilst its company’s savings and cash flow was solid at that time and enough to fund initial export venture costs such as attending trade fairs/shows in the target market, it was not enough to be prepared for the realistic scenario that early revenues from the export market will be lower and payment cycles longer. In turn, the SME directed its attention to boosting sales in its European markets; and with time, it built required financial strength to embrace exports in its outside-EU destination (see interview number 35). These micro stories from Greek and Swedish SMEs also relate to theory, namely to interconnected nature of the IBV-VoC-RBV components (see chapter 1 section 1.1.5; 1.2.1). Essentially, an increase of export intensity or entering into new export markets, is dependent on financial strength of an SME i.e firm's tangible resource (RBV component) which is however determined by institutional structures (i.e access to finance)[IBV component]; whilst this access to finance via banks and other means is dependent on the overarching structures and strength of the capitalist model (VoC component).

Within the organisational aspect of the operational pillar of export strategies, my interviewed SME managers emphasized the significance of possessing human resources carefully tailored towards the exporting journey, with different firms diverging on the details of this strategy. A Greek SME manager (specialising in olive oil) insisted that prior to advancing her plans for an export journey to Singapore, she hired a person with detailed knowledge of the targeted export destination (including language skills), as she required an advise and support in order to acquire more insights about Singapore (see interview number 15). On this aspect of strategy, however, one of my interviewed Greek academics, highlighted that due to general labour skills shortages in Greece, SME managers were unable to find appropriate staff tailored for their export ventures, including finding suitable advisors or consultants for assistance; leaving Greek SMEs at competitive disadvantages (see interview number 11). Theoretically, this finding once again connects to interconnected nature of the IBV-VoC-RBV components; see chapter 1 section 1.1.5; 1.2.1). Here, skilled human resources are considered as a valuable tangible asset of an SME (RBV component), however availability of them depends on institutional structures namely the labour market (IBV component); whilst the conditions within the labour market are determined by the overarching structures and strength of the capitalist model (VoC component). By contrast, a Swedish SME manger (manufacturing electronics) dedicated an entire team of people appointed to focus solely on this firm's export markets. As articulated by this manager, such division of labour in his company produced an organisational efficiency, as it allowed a group of people to dedicate full time efforts to boost export ventures of the company (see interview number 35). Another organisational aspect, highlighted by my interviewed SMEs, related to risk management. This entailed a potential purchase of various insurance products, in order to navigate around anticipated and unexpected risks related to export markets. As previously mentioned in the first sub section, a Swedish SME operating in the Middle East opted to purchase a political risk insurance; by contrast another SME manager opted for payment guarantee insurance. As claimed by this manager dealing with clients and intermediaries in foreign destination entails risks of late payments, thus as a precautionary measure, he purchased such a product (see interview number 32). Another precautionary measure utilised by some of my interviewed SMEs, related to managing fluctuating currencies, which is a common risk in international trade transactions. Here, my interviewed SME managers opted for e.g setting up a foreign bank account, offsetting sales in a foreign currency against expenses in that currency, or using hedging related financial instruments such as (‘forward’, ‘futures’, or ‘currency’ contracts, allowing an agreement to buy/sell currency on either a specific future date or within a specific month, or a right to buy/sell currency at a set exchange rate) [see interview numbers 18 and 34].

Finally, within the execution aspect of the operational pillar of export strategies used by my interviewed SMEs, there was an emphasis on establishing business contacts with the foreign partners and then subsequently choosing the mode of export entry into a target destination. On the matter of establishing business contacts with foreign partners, my interviewed SME managers often relied on attending trade fairs/shows in target markets. Some SME managers also sought help from government owned trade promotion agencies (such as Business Sweden and Enterprise Greece outlined in section 5.1.2 of chapter 5) which allowed them to enter into already existing business contact networks (see interview numbers 15 and 32). As part of establishing business contacts, was the decision to choose an appropriate distributor or commercial agent (acting as an intermediary in the foreign market) which essentially determines the eventual export entry into the target market. As for the logistics/delivery options chosen by my interviewed SMEs, due to the nature of their businesses and products offered, managers were rather selecting distributors as foreign market intermediaries (see interview numbers 18 and 34). Those distributors in target markets, essentially purchase the products from exporting SMEs and resell to customers in those markets, also handling the organisation of stocks, deliveries and after sales service. Two of my interviewed SME managers (from the IT/tech based sectors, one from Sweden and from Greece) due to the nature of product offered, have instead opted for using a commercial agent as an intermediary in target markets; essentially such commercial agents promotes products of those SMEs, acts independently and represents different clients in those target destinations (see interview numbers 17 and 33). An important part of SME managers job in their relations with intermediaries in foreign markets (distributors or commercial agents) was to help those intermediaries to sell those SME products (see interview number 13). Finally, my interviewed SME managers often opted for flexible agreements with their intermediaries (either distributors or commercial agents) lasting around 1 year or below, which proved to be effective in case sale results were not satisfactory. Overall, at the operational pillar of export strategies, whilst interviewed SMEs from both countries, utilised similar approaches, due to domestic context differences between both countries, it can be assumed that, generally, Greek SMEs were more limited with options to boost their export strategies. Due to greater financial problems of firms and labour skills shortages in Greece, Greek SMEs in general were likely to struggle more at the operational level of export strategies, compared to Swedish counterparts who were not faced with similar level of domestic impediments.

6.2.3 Marketing and Export Promotion of SMEs

The following section considers another competitiveness oriented micro level dimension of SMEs themselves, namely the role of marketing as a tool used by SMEs for their general export promotion activities. The academic literature identifies marketing as a significant driver of SME’s competitive advantage (Walsh and Lipinski, 2009); this links to RBV insights (see chapter 1 section 1.1.5) where marketing can be considered both as an intangible resource but also as a managerial capability. The role of marketing is also identified in the literature as an important factor in the export performance of SMEs, with the emphasis on international marketing strategy (Stoian et al, 2012), which will be the main focus of this section.

It is worth to firstly explore the general ability and willingness of firms in Sweden and Greece (including SMEs) to utilise sophisticated marketing tools and techniques in their business adventures. Table 55 below illustrates this phenomenon using the extent of marketing criteria from the WEF data. It can be seen in table 55, that during the investigated period, Swedish firms were visibly more likely than Greek firms to embrace ‘sophisticated marketing tools and techniques' (this is the definition of the 'extent of marketing' criteria). Whilst Sweden was placed as an outstanding performer in top 10 throughout the period, Greece dropped to relatively low positions from 2008 onwards, with a declining tendency. One reason for this state of affairs could be the fact that Greek firms (compared to the Swedish ones) lacked financial resources to embrace more sophisticated marketing tools and techniques which are in general more expensive, the view echoed by my Greek interviewees, which will be later elaborated.

Table 55

Extent of Marketing, Annually	**Greece (Rank)**	**Sweden (Rank)**
2007	37	9
2008	58	8
2009	54	4
2010	58	2
2011	67	1
2012	73	5
2013	70	5
2014	69	6
2015	84	8
2016	95	8
2017	82	8

Source: World Economic Forum (WEF), 2007-2017.

The international marketing strategy of firms (in relation to their target export markets) can be understood through the lens of conceptual framework proposed by Theodosiou and Leonidou (2003), which divides an international marketing strategy to standardisation and adaptation approaches. These marketing approaches (which impact on export performance of firms) has been subjected to widespread debates (Viswanathan and Dickson, 2007). The standardisation approach proposes the usage of the same pricing, promotional and location strategies across all target destinations, underpinned by the rational of globalisation and homogenisation of consumer needs, implying that the company needs to build a strong brand across all targeted markets (Gupta and Randhawa, 2008). By contrast, the adaptation marketing strategy, indicates that products and services need to be more or less altered and tailored towards given targeted markets, in order to appreciate differentiated consumer preferences across various locations, which could for instance stem from different national cultures (Chung, 2009). As articulated in the conceptual model of

Theodosiou and Leonidou (2003), international marketing strategy (whether standardisation or adaptation) has a strong impact on sales, profits, market share of any firm and degree of client satisfaction in the designated market. At times, however, firms may not neatly apply one or the other international marketing strategy, but instead may opt for an adaptation strategy in relation to a chosen element (or mixture of elements) of the 'marketing mix' and opt for an standardisation approach in relation to remaining elements (Mitchell et al, 2012). The 'marketing mix' in the conceptual definition proposed by McCarthy (1960), relates to a combination of variables such as product, price, place and promotion; all of which frame marketing related decision making of a firm.

The picture emerging from my interviews is that those SMEs, in relation to the 'product' part of the marketing mix, often utilised a combination of two main international marketing approaches, depending on various factors. By clustering some of my interviews together, the findings point towards a correlation between a sector of business activity (determining the 'product' dimension of the marketing mix) and the willingness of SME managers to use an adaptation marketing strategy, especially in the more challenging international markets. This is the view apparent from two Greek SMEs (Mediterranean food, and olive oil) and one Swedish SME (fish & sea food), all based in the broadly defined food & beverages sector of activity. As articulated by those SME managers, due to their nature of their products, some level of adaptation was required when entering international markets, especially given that all 3 SMEs exported to Asia (see interview numbers 14, 15, and 34). This level of adaptation was necessary, given the cultural sensitives and differentiated tastes of consumers in the Asian market. As argued by the managers, often this entailed a simple change in ingredients of the food product, but such alteration was necessary due to different food standards and tastes of the Asian consumers (see interview numbers 14, 15, and 34). By contrast, in other sectors of activity, the standardisation marketing approached fitted better when entering international markets, this was the case of two IT based SMEs, one from Sweden and from Greece, with these managers offering broadly the same type of tech based product to all consumers worldwide (see interview numbers 17 and 33). There were however cases where international marketing strategy was determined not based on sector of activity, but based on a pragmatic analysis of an internal situation of the SME, as well as strengths and drawbacks offered by international marketing strategies. Here, one of my interviewed Swedish SME managers (manufacturing electronics) articulated that the adaptation marketing strategy entails high costs and is time consuming, due to the requirement to adjust various components at the product development stage. Instead, the manager largely opted for the standardisation approach in relation to products offered in the international markets, due to cost advantages associated with economies of scale offered by the standardisation marketing approach (see interview number 35). Overall, it can be deducted that SME managers were willing to use both international marketing approaches (adaptation vs standardisation) in relation to the 'product' part of the marketing mix (with the final choice of approach depending on the sector of activity, internal situation of a company, or based on analysis of benefits and drawbacks of these marketing approaches). However, they argued that some level of adaptation strategy is usually required in the international markets at the level of 'promotion' part of the marketing mix; these promotional techniques will be subsequently outlined.

At the heart of the promotion aspect of the marketing mix used by SMEs, was the strive to deliver a suitable and eye catching message to attract targeted customers in given export markets; and secondly consideration of methods to reach such target customer segments. In terms of how my interviewed SME managers navigated around these promotional challenges, in the first step, market research was conducted to unveil a target consumer segment in desired markets. Here, as one SME manager claimed, an analysis of a typical customer in those markets began, focusing on geographic location, demographics of such consumer group, as well as psychological and transactional characteristics of these customer segments (see interview number 16). Generally, all of my interviewed SME managers were relatively versatile with marketing and promotion tools, which they have utilised in relation to their desired export destinations. These consisted of: online marketing (e.g website, social media, as well as online advertising through ads), direct mail, local advertising, brochures and e-newsletters. Additionally, there was a marketing technique particularly important to my interviewed SME managers, namely trade fairs/shows. Essentially, trade shows/fairs are events which gather members of a given industry, to reveal and present relevant products and services. This form of marketing products, has been used by my interviewed SMEs prior to their entries into export markets, as well as occasionally in the latter stages to promote their products further. As articulated by my interviewees, trade shows offered to them variety of benefits, including: networking (through interacting with relevant clients or business partners), selling (in the longer term following attendance at a trade show), promotion (facilitated by display of products) and information seeking (which proved vital for long term decision marking) [see interview numbers 14 and 32]. Of course, as indicated by the managers, the usage of these various marketing tools differed, depending on the firm's available budget (due to costs associated with these marketing tools) and the stage of exporting operations (in some stages more marketing was required). On this point, as stated by one of my interviewed Greek academics, due to the fact that Greek SMEs were on average financially constrained, they were unable to compete with other international SMEs on a level playing field on the marketing front (see interview number 7). This view was echoed by one of the Greek SME managers who claimed that:

"despite my willingness to use extensive marketing methods to brand my product well, that remained a wishful thinking in my first export ventures due to lack of capital for it, limiting me to online marketing only" (interview number 18).

This quote illustrates the reality of marketing options that typical Greek SME managers faced at some point of their operations, clearly indicating that they were left at competitive disadvantage. Theoretically, this finding connects to interconnected nature of the IBV-VoC-RBV components; see chapter 1 section 1.1.5; 1.2.1). Essentially, marketing resources and capabilities of SMEs (RBV component) are determined by finance accessibility (IBV component) which is dependent on the overarching structures and strength of the capitalist model (VoC component).

In the final analysis, in response to this chapter's overarching question, asking to what extent the individual actions of SMEs at the micro level were conducive towards SME competitiveness and exports; this section has presented the micro level actions of SMEs in both countries in the positive light. These findings must however be understood with certain caveats. The main caveat is that this section was underpinned by the micro level stories of my interviewed SMEs, which were however based on a very small sample and secondly they rather presented examples of micro level success stories (although with an outline of individual challenges those SME managers faced too). Nevertheless, these findings represented the willingness of these individual SMEs to embrace international markets, as well as their commitment to use competitiveness driven solutions at the strategy and marketing levels.

Firstly, based on my interviews, it has been illustrated that SME managers from Sweden and Greece, were equally eager to embrace international markets beyond the EU (including both developed and emerging markets outside of EU). Here, we must however remember about the caveats of this section, namely the small sample size. By contrast, we know from the earlier stages of this thesis, that Swedish SMEs were significantly more active in both intra-EU exports and extra-EU exports compared to Greek SMEs. Hence, it can be interpreted that despite viable opportunities in the international markets and despite existence of success stories (as presented in this section), many Greek SMEs often lacked necessary resources to embrace exports, or were unable to embrace exports due to unconducive institutional structures and policies at the domestic ground. This connects to the interconnected nature of the IBV-VoC-RBV components (see chapter 1 section 1.1.5; 1.2.1).

In terms of the operational pillar of SME export strategies, Swedish and Greek SME managers presented strive for competitiveness driven solutions within planning, organisation and execution, all designed to boost the eventual success of their export ventures. A similar picture emerged from the marketing and promotion dimension of SME exports; here Swedish and Greek SME managers carefully selected competitiveness oriented international marketing strategies (adaptation or standardisation) based on their circumstances and embraced wide range of marketing tools to promote their products. However, it can be deducted and argued that Greek SME managers in general faced more difficult task in navigating around the operational strategy and marketing pillars of their export ventures, compared to their Swedish counterparts. This is because of domestic institutional and policy level obstacles previously articulated in chapters 3 and 4. These for instance entailed, that, at the operational pillar, Greek SMEs faced difficulties in recruiting appropriate knowledgeable staff dedicated to export ventures due to labour skills shortages. Whereas at the marketing front, Greek SME managers often needed to operate within limited budgets, which constrained their ability to compete by using sophisticated marketing tools. Theoretically, once again this connects to the interconnected nature of IBV-VoC-RBV components (see chapter 1 section 1.1.5; 1.2.1).

Conclusion

In the final analysis, the empirical findings from the previous two sections will now be analysed in the context of the overarching question posed for this chapter, asking about the extent to which individual actions of SMEs at the micro level were conducive towards general competitiveness and exports of SMEs. In the light of these findings, it can be argued that Swedish SMEs had an ability to and were practically exercising micro level actions oriented towards competitiveness and exports. By contrast, the story for Greece is more dismal, as despite the willingness of Greek SMEs to embrace similar pro-competitiveness mechanisms as Swedish SMEs did (as manifested in my interviews) they were unable to execute these. This is due to more detrimental surrounding factors and circumstances (stemming from capitalist model context; in its institutional and policy sense as analysed in chapter 3 and 4) but also due to weaker managerial capabilities. The outperformance of Swedish SMEs compared to Greek counterparts, was evident through: absorption of technology and sophisticated production processes (as part of growth-survival business strategy), reliance on professional management with the willingness to delegate power (as part of management and HR practices) and the use of sophisticated marketing tools (as part of marketing strategy). The comparatively better performance of Swedish SMEs can be deducted from more conducive external factors (compared to Greek counterparts) including existence of robust business ecosystems (clusters with proximity of suppliers), cultural factors (related to management and HR practices), as well as due to factors analysed in the previous chapters such as favourable business environment or robust access to finance. It can be argued that superior access to finance for Swedish SMEs (compared to Greek counterparts) enabled them to be more efficient at the operational and marketing pillar of their export strategies, as it allowed them for greater investments. Here, Greek SMEs lacked the financial resources to embrace equally competitive mechanisms such as hiring of specialised staff tailored to export ventures, investing in export related insurance products or conducting sophisticated export promotion methods. It needs to be remembered that despite more detrimental surrounding factors, there were success stories of Greek SME managers which embraced competitiveness oriented strategies in relation to their export ventures (as exemplified in my interviews in the second section of this chapter). This is perhaps due to strong managerial capabilities possessed by my interviewed SME managers, which enabled them to navigate around their respective difficulties. However, when looking at country wide situation, structurally Greek SME owners were weaker as managers compared to Swedish SME managers, meaning they possessed fewer necessary managerial capabilities. This is because of unsatisfactory entrepreneurial education in Greece but also due to poorer management abilities as exemplified in section 6.1.3 of this chapter (e.g weak performance on professional management, willingness to delegate power and potential mismanagement issues that could arise from cultural dimensions such as high uncertainty avoidance, or its tendency towards collectivism). Such weaknesses in managerial capabilities of Greek managers further diminished their chances to succeed when surrounded with macro level constraints defined in chapters 3 and 4. Given the importance of capitalist model context (with institutional-policy dimensions from chapters 3 and 4) towards shaping of internal resources and capabilities of SMEs, it can be deducted that the initial hypothesis for chapter 5 was correct. Hence, it can be agreed that in institutionally conducive capitalist models, resources and capabilities of SMEs are strengthened which allows for more competitive micro level actions of SMEs. This was exactly the case in Sweden; whereas Greece lacked such conducive capitalist model context and hence micro level actions of SMEs also suffered.

The findings presented in this chapter also entail theoretical implications; especially for the Comparative Capitalisms (CC) literature. One of findings worth exploring further is the role of clusters. To recall from section 1 of this chapter, it has been argued that the existence of robust clusters in Sweden entailed advantages such as supplier proximity, sharing and transfer of knowledge and connectivity to exports via relations with a bigger exporting firm within a cluster. These were the ecosystem advantages that Greek SMEs lacked and as a result the execution of their micro level business strategies was made more challenging leading to potential underperformance. Using the classical VoC understandings, clusters are associated with the CME type of competitiveness, because clusters are co-operative in nature (as they allow for cooperation of firms within a cluster) thus they are associated with the coordinative nature of CME model. In this case of Sweden, this thesis has emphasized a lot the hybrid nature of its capitalist model (see chapter 1 section 1.2.2; and chapter 3 section 3.2.6). Here, clusters in Sweden correspond to an CME competitiveness solution, as state's activism in the form of industrial policy (a typical CME type of element) can be provided as a source for existence of such clusters in Sweden. In contrast to taxation and labour market which were identified as Swedish CME weaknesses in relation to SMEs (in chapter 4), here in the case of clusters this CME element boosted competitiveness of SMEs. A similar CME explanation can be provided for the adaptation of new technologies dimension also analysed in this chapter. Here, Swedish industrial strategy which focused on promotion of new technologies (as illustrated in section 5.1.1 of chapter 5), played a positive role and produced spill over effects for the micro level of SMEs, where Swedish SME managers had availability of latest technologies necessary for gaining competitiveness advantages in the context of free trade. It could be assumed that in Greece (where the state as an actor in the economy is omnipresent) the state could positively contribute to creation of clusters and promotion of new technologies; however the reality which Greek SME managers faced, was different, as presented in this chapter. This is also in line with the VoC conceptions, in this case it is related to DME type of capitalist model, where the role of the state is perceived as problematic (due to weaker sovereignty) and generally perceived as deficient (in insitutional and policy terms). This deficiency largely stems from key features of Greece's capitalist model i.e clientelism, rent seeking and state capture. It was already presented in chapters 3 and 4 that these features of the Greek capitalist model provided distortions or inhibited reforms of various areas (e.g business environment, product markets, taxation and labour market). Here in the case of this chapter, it was argued that Greece's captured state did not prioritise promotion of clusters or new technologies, as these are not the areas which facilitate state's survival as an omnipresent actor within its clientielist and rent seeking realities.

Another empirical finding from this chapter which entailed theoretical consequences for the CC literature, is related to management cultures (management and HR practices undertaken by SMEs). The findings presented in section 6.1.3 of this chapter, produce implications for the understanding of informal institutions (such as culture) and its impact on comparative advantages of nations. In general, it has been presented that cultural features of the Swedish capitalist model, produced advantages for the micro level operations of Swedish SMEs, providing them with potential competitiveness boost (at the level of business organisation and management culture) in the context of free trade. The classification of Swedish cultural dimensions (power distance, individualism, and uncertainty avoidance) on the VoC framework however produces interesting results. To recall, Sweden scored low on power distance and uncertainty avoidance and scored high on individualism. It can be argued that all three scores of Sweden and the sources of strength which arise from them, can be associated with the LME type of competitiveness. Essentially, its low power distance opposes ideas of centralisation (associated with socialist inclined capitalist models) and correlates more with decentralisation and deregulation; whereas its high tendency towards individualism combined with risk taking and preference for fewer regulations (arising from very low uncertainty avoidance) both represent symbols of entrepreneurship and capitalism (naturally associating it with the LME category). This contributes to the debate about the extent of hybrid nature of the Swedish capitalist variety. Here, informal institutional apparatus in form of culture, merges with formal institutional dimensions analysed in chapter 4 (business environment, product markets, access to finance) and free trade openness (analysed in chapter 5) to create LME competitiveness elements. These LME components are surrounded by CME elements such as clusters and dimensions analysed in chapter 5 i.e industrial policy, labour market and taxation. Hence, combining all of these dimensions, it can be argued that hybrid nature of the Swedish model is underpinned by almost equal share in LME and CME elements, with slight skewness towards LME style competitiveness solutions. By contrast, Greece's results were contrasting Sweden on each of these cultural dimensions and this chapter has argued that this had negative consequences for Greek SMEs. Using the VoC insights, a potential theoretical counter argument could be made to it, arguing that Greece's scores on the informal institutional dimension (cultural matrix) can also theoretically produce micro level strength for Greek SMEs in terms of business organisation and management culture. For instance, it could be argued that its low tendency for individualism (and hence its preference for collectivism) which translates to existence of many family owned firms, does not have to lead to mismanagement and nepotism but can be seen as a managerial and organisational strength as perceived in e.g Germany. This chapter in its empirical part (inspired by the interviews findings) however argued that practically in Greece such benefits were not seen and this can be explained through the CC literature. Essentially, the micro level performance mismatch, results from the fact that Germany represents an example of CME capitalist model. It contains sound institutional and policy level underpinnings which shape the behaviour of SME employers and their workers, allowing for healthy conceptions of ‘coordination’ within management and HR practices. By contrast, Greek SME managers and their workers, operate within the DME type of VoC and are instead socialised within a clientielist and rent seeking environment intrinsic to Greece’s capitalist model, meaning that micro level mismanagement issues are likely to occur. Overall, as highlighted within the chapter, Greece’s scores on cultural dimensions (high power distance, preference to collectivism and high uncertainty avoidance) are however not surprising. They stem from and further complement (or reinforce) the key features of the Greek capitalist model i.e clientelism, rent seeking and state capture.

The contributions to the CC literature outlined in the previous two paragraphs also hold significant implications to the IB literature as pointed out throughout this chapter. Whilst chapter 4 emphasized the intellectual usefulness which stem from enriching the IBV approach with the VoC insights, this chapter moved further by highlighting the intellectual usefulness stemming from merging both IB theories on IBV-RBV and enriching them with the VoC insights (for these theories see chapter 1 section 1.1.5; and 1.2.1). Similarly to conceptual innovations in chapter 4, the call for synergy of IBV-VoC-RBV theories in this chapter can be regarded as a relative conceptual novelty with potential for future research. Essentially, this chapter presented that RBV components i.e tangible and intangible resources of SMEs (e.g information and knowledge, innovation capacity, financial capital) are shaped by the IBV components i.e institutional structures (i.e clusters) and this is determined by the overarching structures and features of the capitalist model (the VoC component). It is the underlying nature of a capitalist model which determines possibility and/or willingness (of governments) to form clusters in a given country; in the case of our case studies, strong clusters were natural part of the Swedish capitalist model, whereas in Greece the key features of its capitalist model inhibited the formation of clusters. A similar interactive IBV-VoC-RBV argument was made in relation to marketing and human resources of SMEs in the context of their export journeys. However, apart from SME resources, the interconnected nature of the IBV-VoC-RBV theories also entail implications for SME capabilities. It has been presented that due to different foundations of capitalist models (i.e strength and stability of the Swedish capitalist variety and crisis prone nature of the Greek capitalist variety) and institutional strengths and limitations which stem from it, domestic SMEs needed to possess or prioritise different capabilities in order to navigate around their respective environments. Whilst in Sweden, domestic SMEs needed to possess and prioritise ‘value creation capabilities’, required to capture new clients and expand shares in their respective markets; in Greece, domestic SMEs needed to possess and prioritise ‘crisis management capabilities’ in order to survive in their respective markets amidst difficult economic circumstances. Similarly, SME capabilities were shaped and influenced by the informal institutional apparatus in the form of culture (underpinned by the overarching features of a given capitalist model). Here, due to conducive cultural underpinnings of the Swedish capitalist variety, Swedish SMEs were able to focus on developing their entrepreneurial and wealth creating capabilities required to succeed in the market. By contrast, Greek SMEs were confronted with cultural features which were negative in the context of particular Greek capitalist model (due to clientelism, rent seeking and state capture) and these features undermined entrepreneurial and wealth creating capabilities of Greek SME managers as they were socialised in this cultural environment. Of course, within the Greek capitalist model where clientelism, rent seeking and state capture are dominant features, Greek SME managers could aim to play as part of this distorted system and develop ‘political capabilities’ i.e abilities to make ties with the government. However, due to small size of a typical Greek SME such ties would not be possible and could be further inhibited by the mistrust of Greek SMEs towards the governmental side, given that government was to blame for various institutional and policy level deficiencies. Moreover, this thesis argues that changing of these capitalist variety features is required for Greek SMEs to thrive, hence playing as part of this distorted system should not be a long term recommendation for Greek SME managers. Instead, in order to navigate around existing institutional and policy level deficiencies, as well as cultural factors, the priority for Greek SME managers should be to develop entrepreneurial and wealth creating capabilities to better function in these challenging contexts.

Lastly, this conclusion briefly considers the correlation between the competiveness oriented micro level actions of SMEs and external trade performance of SMEs. The conclusions of previous two chapters ended with arguments that domestic varieties of capitalism and governmental policies, structure behaviour of SMEs and determine incentive structures which in turn influence SME exports. In the conclusion of this chapter we can argue that competitiveness related actions (such as micro level business and export strategies) of SMEs themselves, are crucial for their own market survival and export success. In practice, even if both, the institutional structures of capitalist model and governmental policies are conducive for SME operations (as largely is the case in Sweden- with some exceptions of governmental policies on taxation and the labour market), the success for SMEs does not emerge automatically and those SMEs must still purse robust micro level strategic actions to accomplish successful business results. Such actions include various competitiveness related components analysed in this chapter such as embrace of modern technologies, utilising effective management and HR practices, as well as marketing techniques. On average, Swedish SMEs were able to embrace such actions effectively, which created a natural complementarity between all three intervening variables (institutional structures of VoC, governmental policies and SME actions), leading to relative success in export performance. It needs to be however remembered that the actions of SMEs as an intervening variable do not act as a sole decisive factor in export performance. For instance even if domestic SMEs are thinking strategically and are willing to embrace competitiveness oriented goals with their actions, they may fail to attain these results if they are inhibited by other two intervening variables (institutional structures of capitalist variety and governmental policies). This was largely the case for Greek SMEs. In practice, due to negative spill overs from institutional-policy spheres, they were unable to execute competitive actions due to for instance lack of finance. Although, an argument can be made, that in addition to it, some systemic weaknesses also existed amongst Greek SME managers, further inhibiting the potential for success. To conclude, when conceptualising this variable holistically, it can be argued, that the actions of SMEs themselves, are equally as important as institutional structures of capitalist model and governmental policies, in boosting the external trade performance of SMEs. Overall, in the context of the key research question of the thesis, it has been displayed in this chapter that conduciveness of SME actions towards competitiveness maters and it has been presented how this mechanism interacts with the broader domestic setting and how it impacts on SME exports.

Chapter 7: Conclusion

The following chapter provides a summary of the thesis and concluding remarks in the light of analysis provided in the previous chapters. Following links established in the IB literature about the domestic setting (i.e home market environment, with its conduciveness towards competitiveness) and firm internationalisation (e.g exports), the thesis has contributed to the literature by addressing the following question:

"How does the domestic setting affect the export performance of SMEs in the context of EU's free trade agenda?

In response to it, the main argument presented was that the impact of the domestic setting on SME export performance occurs through the set of three mechanisms, namely: domestic institutions, governmental policies and SME actions (all of which acted as intervening/mediating variables in my analysis). All of these mechanisms shape incentive structures for SME functioning and influence their export propensity and intensity. Crucially, it has been illustrated that all three mechanisms are interconnected within the domestic variety of capitalism. Essentially, the domestic capitalist model (with its historical path dependencies, internal and external features as well as internal socio-political-economic coalitions) is an overarching structure which determines domestic institutions, governmental policies and SME actions. In relation to the case studies, it has been illustrated that the Swedish variety of capitalism was more mature and robust compared to deficient and crisis prone capitalist model of Greece. Consequently, this set divergent implications for the mechanisms which impact on the export performance of SMEs in both countries. Essentially, Swedish domestic institutions, governmental policies and SME actions were more conducive towards competitiveness and this translated to solid export performance of Swedish SMEs. By contrast, Greece's competitiveness deficits were visible within domestic institutions, governmental policies and SME actions, which translated into obstacles and barriers which inhibited Greek SME exports. The following section will thematically summarise the empirical findings from chapters which analysed these three mechanisms through which impact on SME exports occurred. Subsequently, the attention will be turned to synthesizing main theoretical findings from this thesis combined with indications for future research; whilst the final section will consist of future policy and managerial implications stemming from this thesis' findings.

A Thematic Synthesis of Empirical Findings

The thesis has used the EU's competitiveness agenda (Lisbon/Europe 2020) and trade agenda (GE) as an entry point into discussion about the empirical puzzle. In the context of these EU policies, it can be argued, that, compared to Greece, Sweden was better prepared domestically, to embrace competitiveness policies understood as a hybrid of LME-CME elements from EU's competitiveness agenda. This is due to the superiority of the Swedish capitalist model compared to the Greek counterpart, which set conducive foundations for the mechanisms impacting on SME export performance (i.e domestic institutions, governmental policy and SME actions). As a result, Swedish SMEs were more likely to embrace exports opportunities arising from EU's trade agenda, which was reflected in better export performance of Swedish SMEs in terms of internationalisation beyond the EU. In comparison, the weaknesses of Greece's variety of capitalism meant that the country was not prepared to embrace hybrid LME-CME competitiveness reforms as the EU envisaged. Consequently, Greece lacked strong foundations for the mechanisms through which the impact on SME export performance occurred; meaning that the country and its SMEs did not obtain many advantages from EU's trade agenda.

This disparity between both countries was evident in the answers provided to all three sub questions posed in this thesis. In response to the first sub question, it has been argued, that, compared to Sweden, Greece's domestic institutional framework was significantly less conducive towards competitiveness (in terms of business environment, innovation system, access to finance, tripartite structures and product markets). This meant that Greece's institutional structures were less supportive to the functioning and exports of SMEs. In relation to the second sub question, the argument illustrated that there were some problematic areas of governmental policy in both countries, in the sense that they were not oriented enough towards achieving competitiveness. However, the situation was visibly worse in Greece due to its capitalist model context, meaning that overall, especially in Greece the governmental policy was not sufficiently conducive towards functioning and exports of SMEs. Finally, the answer to the third sub question, exhibited, that, at the micro level, the individual actions of Swedish SMEs were superior compared to their Greek counterparts in terms of their conduciveness towards achieving competitiveness and exports. This was enabled through formal and informal structures of the Swedish variety of capitalism. The following paragraphs summarise the empirical findings more deeply around themes related to SME operations of relevance to this thesis. These include: start up/starting a business stage, functioning–survival stage and the exports stage.

At the level of start-ups (starting a business stage), this thesis has presented that Swedish SMEs benefited from a more conducive institutional-policy climate compared to Greek SMEs. As a result, compared to Greece, in Sweden, there were fewer barriers for start-ups and early stage of business operations, whereas the incentives for starting business were greater; this was reflected in visibly better start up numbers. In Sweden, the product markets were relatively liberalised with lack of protective regulations which would distort competition and market fairness. The robustness of Swedish product markets was visible in the WEF rankings as well as supported by my interviewees. In turn, Swedish SME start-ups were allowed relatively easy entry into various sectors of the Swedish economy as they did not face unnecessary barriers in the realm of product market regulations. In Greece, the product markets were instead distorted by various regulations which were designed to protect some professions and sectors of the Greek economy. This distorted competition and market fairness and resulted in barriers to entry for Greek SME start-ups which were unable to enter into various closed and protected professions. Greece underperformed on all aspects of the WEF rankings on product markets; whilst my interviews argued that reform outcomes in this realm were muted and limited on the ground due to poor enforcement and implementation, as well as obstacles from the deeply embedded informal features of the Greek political economy. Within the business environment, Swedish SME start-ups benefited from conducive administrative climate. This was visible in the WB's ranking on 'starting of business', where Swedish competitiveness was manifested within small number of procedures, as well as small cost and minimum capital required to start a business, with time required to start a business also improving at the end of the investigated period. This was further supported by my interviewees and their positive comments about the Swedish administrative and regulatory apparatus. This is important from the point of view of SME start-ups (which due to their size) are vulnerable to such bureaucratic procedures due to time and costs associated with them. By contrast, in Greece, at the level of business environment, Greek SME start-ups were confronted with obstacles and unnecessary hurdles stemming from bureaucracy in its administrative and regulatory sense. Here, Greece underperformed on all aspects of WB's rankings on starting business. On the positive note, all of these indicators improved since 2013 onwards, however my interviews argued that on the ground such changes were still limited due to informal obstacles embedded within main features of the Greek political economy. Finally, Swedish SME start-ups were also able to benefit from financial support, given that Swedish SMEs in general benefited from solid access to finance. This was manifested in my interviews and the SBA data on access to finance. Here, access to public financial support (including guarantees) as well as willingness of banks to provide a loan was robust, whereas rejected loan applications were relatively rare and the duration to get paid was short. The access to finance is of significant importance to SME start-ups given the lack of capital of such business in the early stages of operations. By contrast, Greek SME start-ups were financially constrained as they were operating in an environment of general finance shortages due to precarious position of the Greek banks during the crisis period. As a result, Greek SME start-ups had to rely on their own personal savings to finance their start-ups given that Greek banks were very likely to reject such loan applications for various promising start-ups due to risks attached to it. Additionally, in comparison to Sweden where venture capital market was robust, in Greece there was almost total absence of venture capital, meaning that innovative and promising Greek SME start-ups were left in a financial support vacuum with no options available.

At the functioning-survival stage of SME operations, there were some obstacles in Sweden too; however, overall at this stage once again Greece visibly underperformed, meaning that Greek SMEs had a competitive disadvantage compared to their Swedish counterparts. The labour market and taxation represented the governmental policy realms where deficiencies were visible in both countries. In Sweden, the daily functioning and survival on the market for Swedish SMEs was challenged by the pressure from taxation burdens (i.e high social security contributions placed on employers, high and progressive PIT rates for employees, high CIT rates until 2012, high VAT rates with unclear rules, as well as various unresolved issues such as taxation of closely held firms and double taxation of corporate profits). These taxation pressures in Sweden combined with pressure from labour market issues (i.e: high wage costs, increasing labour skills shortages in technical areas and most importantly rigid EPL resulting in dual labour market issue, as well as seniority rule and general firing of workers difficulties). Such problems stemming from taxation-labour market areas could be interpreted as particularly troubling for SMEs, given their small size and weaker flexibility and resources compared to large firms which can more easily adapt to such pressures. However, there were some rare positives in Sweden stemming from taxation-labour market burdens for domestic SMEs, these included: low taxation bureaucracy i.e. small overall number of taxes to pay and short time required to comply with them, as well as high labour productivity and high internal demand. Moreover, Swedish SMEs were able to more easily absorb challenges stemming from such taxation-labour market areas, due to advantages in other areas of relevance to the functioning-survival stage of SME operations. Perhaps the main competitive advantage related to existence of strong clusters in Sweden. The prevalence of robust clusters in Sweden (exemplified in the WEF rankings and my interviews) entailed various benefits to the functioning and survival of Swedish SMEs. These included proximity of local suppliers, flow of information and knowledge, cooperation with other firms and positive competitive pressures. In addition to clusters, Swedish SMEs were able to gain advantage from financial support available from banks and venture capital (as already outlined in the previous paragraph). This allowed Swedish SMEs to pursue vital investments e.g into new technologies or production processes, which boosted their competitive advantages and survival in the market.

On top of these advantages, Swedish entrepreneurs themselves possessed appropriate skills and capabilities needed to succeed in the market; which was manifested in the overall management quality scores. These managerial skills, combined with conducive cultural underpinnings in Sweden (i.e low power distance, preference towards individualism and high tolerance to uncertainty avoidance) generated robust management system at the micro level of typical Swedish SME. This translated into superior competitive advantages such as higher productivity as articulated in my interviews; and strongly enhanced operations of Swedish SMEs at the functioning and survival stage. Overall, it can be argued that despite limitations within taxation and labour market in Sweden, the competitive advantages stemming from other mentioned areas visibly outweighed those limitations, meaning that, overall, a rather conducive climate was provided for the functioning-survival stage of SME operations (although visibly less conducive when compared to the previously analysed start-up stage).

In the case of Greek SMEs and their functioning-survival stage, Greece's underperformance was striking and it was of similar (or perhaps even bigger magnitude) compared to the start-up stage. Here, similarly to Swedish SMEs, Greek SMEs had to deal with taxation-labour market pressures, however in Greece the scale of problems was more profound and deeply structural in nature. In terms of taxation obstacles, Greek SMEs were confronted with: (I) high PIT and social security contributions placed on private sector salaried employment, (II), unfairness of the taxation system (skewed towards public sector employees as well as self-employed and pensioners), (III) high CIT and VAT rates post 2013, (iv) taxation bureaucracy (visible in terms of number of taxes to pay and amount of time required to comply with them); and, finally (v) the rise in energy related taxes. Within the labour market, Greek SMEs faced impediments in form of (I) brain drain and shortages in supply of required labour skills, (II) stifled domestic demand, (III) weak labour productivity and (iv) rigid EPL.

Similarly to wage cuts, the EPL reforms post 2010, did not have a widespread positive impact on Greek SMEs. This is due to the fact that they are not labour intensive and employ limited number of people, hence some of the EPL changes did not apply to them, moreover, according to WEF rankings, the Greek EPL post reforms still remained rigid by global standards. The scale of these taxation-labour market challenges for the functioning-survival stage of Greek SMEs intensified even further due to deficiencies mentioned at the start up stage. Here, for instance, the lack of finance prohibited Greek SMEs from investing into new technologies and upgrading their production processes which would boost their operational competitiveness and market survival. All of these combined to a rather hostile environment for SME operations in the official economy; and, as a result of these challenges (with particular emphasis of labour market and taxation) the problems were more structural in nature. Essentially, Greek SMEs were instead incentivized to function in the shadow economy (through undeclared revenue via not issuing of receipts and through clandestine employment) as they would struggle with survival in the official economy due to adverse insitutional-policy conditions in the official economy.

In addition, to these difficulties, Greek SMEs which operated in the official economy had their functioning-survival further undermined by the lack of clusters. This cluster underperformance was manifested within WEF rankings and my interviews which argued that Greek SMEs had to operate in regional and local vacuums. To complicate matters further, Greek managers lacked same level of quality in terms of management compared to their Swedish counterparts as manifested in the management scores. Here, Greece's cultural underpinnings (high power distance, preference to collectivism and high uncertainty avoidance) undermined managerial capabilities of Greek entrepreneurs even more leading to potential management inefficiencies at the micro level of Greek SMEs (such as highly hierarchical management, nepotism and lack of risk taking; as highlighted in my interviews). Overall, all of these impediments and limitations combined to profound competitiveness disadvantages for Greek SMEs in their functioning-survival stage.

At the exporting stage of SME operations, firstly the main divergence between Sweden and Greece stems from the previously analysed stages of SME operations. In Sweden, amid some obstacles, the institutional-policy environment within start-up and functioning-survival stages was overall largely conducive for the growth of SMEs, allowing Swedish SMEs to reach sufficient size and accumulate appropriate resources necessary for exports. By contrast, in Greece, there were numerous and highly detrimental institutional-policy impediments within the start-up and functioning-survival stages, meaning that not many Greek SMEs actually survived pressure from these obstacles and in turn never reached the exporting stage. Essentially, those Greek SMEs which operated in the shadow economy never acquired professional and modern management and shareholder structure to even consider future exports (after escaping from informal sector); whilst those Greek SMEs which operated in the official economy, had their growth and resource accumulation stifled by various obstacles; meaning that often they were resource- limited during their export activities.

At the exporting stage per se, the competitive divergence was also observable between both countries, with Sweden once again outperforming Greece. Within the business environment realm, this divergence was manifested within trade facilitation procedures. Here, Swedish SMEs were able to benefit from robust customs procedures, whilst Greek SMEs were confronted with bureaucracy at this level. This disparity was exemplified in the WB's data on 'trading across borders' criteria, where Sweden outperformed Greece on amount of documents, time and cost to export and import. Moreover, given that exporting requires larger financial commitment and resources, the access to specialised export credit/trade finance was of importance to domestic SMEs. Here, Swedish SMEs were able to take advantage of various mechanisms available from Swedish export credit agencies (i.e EKN and SEK); by contrast, Greek SMEs were once again left at a competitive disadvantage because despite availability of some export credit mechanisms, the take up (absorption) of these mechanisms by Greek SMEs was limited. Furthermore, exporting SMEs wishing to upgrade within GVCs, also had an easier task in Sweden compared to Greece. This is due to existence of the previously analysed clusters (it is recognized that successful exporters including innovative high tech exporters often belong to a cluster or network group) but also due to more robust innovation system in Sweden compared to Greece; which was exemplified using data from the European Innovation Scoreboards.

A more robust innovation system in Sweden translated into superior export performance of Swedish SMEs in medium & high-tech products as well as in knowledge-intensive services sectors compared to Greek counterparts. Although it needs to be noted that considering the strength of Swedish innovation system, the performance of Swedish SMEs in GVC related exports was broadly in line with EU averages; hence there was a sense of lost potential and need for improvement. By contrast, Greece's innovation system underperformed broadly on all aspects i.e enabling factors and firm activities which translated into weak performance of Greek SMEs in medium & high tech products and knowledge-intensive services sectors. On the positive end for Greece, promotion of trade and export driven growth was undertaken by Greek governments (with its detailed export promotion strategies); a similar equivalent was done in Sweden. This sent positive signals to Greek and Swedish SMEs which were planning to export in the future or were currently exporting. Nevertheless, once again Greece underperformed, here the problem related to inefficient bureaucracies of the Greek governmental apparatus which undermined implementation and execution of these pro-export initiatives. In terms of export related micro level actions of SMEs in both countries, this thesis consisted of some positive stories of Swedish and Greek SMEs successfully tackling foreign markets. Nevertheless, on average, circumstances for Greek SME managers were visibly more challenging than for Swedish counterparts. This was observable within operational and marketing aspects of export journeys. Here, Greek SME managers lacked sufficient resources (e.g due to lack of finance) to embrace more sophisticated marketing techniques in the context of international markets or utilise more sophisticated options at the operational stages of export strategy (i.e within planning, organisation and execution).

Limitations and methodological challenges

In general, any type of comparative research studies in social sciences are prone to methodological challenges related to suitability of qualitative, quantitative or mixed methods approaches (Allardt, 1990), case study selection, unit and scale of analysis, or variable/case orientation as well as causality (Mills et al, 2006). In this thesis, the two main methodology limitations, relate to the case study selection and data collection/sources.

In terms of case study selection, the methodology section has articulated the logic and reasons for selection of small N paired comparison approach, with the particular choice of Greece and Sweden as cases for analysis. To recap, this choice related to theoretical and empirical enquiry in this thesis. The thesis' findings were underpinned by rigorous inter-disciplinary conceptual framework (combining holistically political economy and IB perspectives), robust mixed methods data collection approach and qualitative data analysis approach. Based on these foundations, the findings gathered in this thesis, give us reasons to believe that they still hold a degree of broader generalizability and relevance outside these two cases. However, the limitations stemming from this research design and case study selection need to be acknowledged.

The selection of small N paired comparison prioritises depth of knowledge and understanding of causalities (Ragin, 1987; Levi Faur, 2006). However it risks analysing many variables with too few case studies to test the causality (Mills et al, 2006), hence it comes at the cost of smaller degree of generalisability compared to big N sample approach which achieves rigour and reliability by analysing a large number of cases in order to achieve greater generalisability (Clift, 2014; Levi Faur, 2006). As a result, this smaller degree of generalisability of findings, needs to be acknowledged as a limitation in this thesis. Based on this, it can be suggested that it would be intellectually useful if this study could be repeated in the future using a larger N sample to test the extent to which the general findings of this thesis will be replicated in larger N settings.

Furthermore, whilst this thesis analysed two countries similar in terms of size (i.e population), but different in terms of varieties of capitalism, there is a scope for future research to compare countries similar in size but also similar within their own respective capitalist varieties. For instance, comparing Greece with Portugal or Sweden with Denmark.

Such studies are likely to lead to interesting comparisons of dynamics and mechanisms behind the impact of domestic setting on SME exports, in a group of countries representing similar varieties of capitalisms.

Similarly, a selection of country cases operating within the same monetary regime (e.g a cluster of countries from the Eurozone, or a cluster of countries outside the Eurozone) can be insightful to eliminate currency exchange as an element that boosts competitiveness of exports. In this thesis, in chapter 3 section 3.2.6 on Sweden, it has been acknowledged that currency exchanges provide an export advantage to Swedish SMEs. Although, that section also noted that previous studies shown that despite the depreciating Krona since 2008 and especially post 2012, structural issues in Swedish exports grown, as manifested in shrinking export to GDP ratio and shrinking trade balance surplus (see Norland, 2019). Hence, despite the importance of the monetary factor, it has not been a decisive factor in Swedish export competitiveness framework, which highlights the significance of other competitiveness variables analysed in this thesis and their connection to exports. It is these competitiveness variables (intervening variables) which hold a degree of generalisability and deserve further attention in studies with large N samples. Nevertheless, in general, a comparison of countries within different monetary regimes provides a limitation, thus future studies can aim to eliminate this distortive monetary factor and select case studies clustered around the same currency regime, in order to provide a more level playing field for analysis.

Additionally, in terms of future research, it would be useful to select the case of Greece and analyse it over a different and longer time frame. This thesis selected the period of a decade (2007-2017) related to competitiveness and trade agenda of the EU, which however has been a profoundly difficult period for Greece due to its crisis. It has been argued in this thesis that this time frame does not misrepresent the picture of Greece. This is because Greek SME export underperformance has been evident in decades before the investigated period (Böwer et al, 2014; Mitsopoulos and Pelagidis, 2014) owing to longer term issues relating to clientelism, rent seeking and state capture (Michas, 2011). The same can be said for distortions on various competititnvess variables analysed e.g business environment, product markets, taxation system, or the EPL. Although, it needs to be acknowledged that some variables such as labour productivity and access to finance, were in the better shape in previous decades. Hence, there is some limitation in the selection of this particular timeframe as well as relatively limited length of this time covered by the current study (i.e

10 years). This points towards the need to study Greece through a macro-historical perspective over a different and longer timeframe. Also, Greece could be compared with a similar variety of capitalism to test if some of these countries break the cycles of under-development and export underperformance.

Finally, it is also acknowledged that data collection/sources pursed in this thesis offer some limitations. As outlined in the methodology chapter, the thesis embraces mixed methods approach (Brady and Collier, 2004) and combines different types of primary material i.e statistical evidence and qualitative interviews. The strength of that approach, is the ability to embrace a more holistic perspective on the research inquiry i.e the domestic setting with its competitiveness orientation in relation to SME export performance. However, it comes at a trade-off, which can be linked to a broader methodology debate in social sciences about agency and structure perspectives, relating to capacity of individuals to make decisions either independently or as part of social structures (Giddens, 1979; Kipo, 2014). This thesis combines both perspectives and follows neither an agency only nor a structure heavy perspective specifically. This leads to a limitation in terms of how much depth can be explored by combining both analytical lenses. Whilst the interdisciplinary approach of this thesis (i.e political economy and IB) required a combination of agency and structure perspectives, there is a potential for future studies to address this limitation. These could focus specifically on either agency or structure oriented perspectives (e.g education and skills in the case of structure) and capture more deeply some aspects which were not explored in full detail in this thesis.

Overview of Theoretical Findings

At the heart of theoretical contributions of this thesis was an interactive dialogue between the IB and CC literatures. Essentially, this thesis has demonstrated that the IBV, RBV and VoC theories are interrelated in nature and can be utilised in the same study in the context of SME exports. This builds on the interrelation between IBV-RBV theories previously established in the IB literature in relation to firm exports (e.g Meyer et al, 2009; Kafouros and Aliyev, 2015) as well as connections between these IB theories and CC literature in the context of exports (Makhmadshoev et al, 2015; Mariotti and Marzano, 2019; Deng and Wu, 2017). This thesis moved further in terms of these interrelations and specifically argued that the IBV approach can be enriched by insights from the VoC theory, whilst, the IBV-RBV synergy can also benefit from VoC theory insights. At a starting point, this thesis has embraced the position that ‘institutions matter’ for SME exports, which followed the core message of the IBV theory (see Peng et al 2008, 2009 in chapter 1 section 1.1.5). Nevertheless, inspired by the constructive criticisms of the IBV theory (see Deeg and Jackson 2008, 2019 in chapter 1 section 1.1.5) namely its relatively isolated and context thin conceptualisation of institutions (e.g as rules of the game or exogenous context); this thesis has embraced ‘thick’ conceptions of institutions by enriching the IBV approach with the VoC insights (see chapters 4 and 5).

This process was undertaken by structuring institutional analysis (common to IBV studies) alongside key insights from the VoC approach; namely path dependency/institutional change, institutional complementarities/negative institutional complementarities, the role of government within capitalist model and external-contextual factors inherent to DME variant of capitalist model. The path dependency/institutional change concepts added historical, political and sociological depth to the IBV’s understanding of institutions; as well as enabled explanation of the sources of institutional arrangements and the difficulty in reforming them. This contribution relates to debates in the IB literature (of relevance to exports) about the importance of historical factors (Jones and Khanna 2006; Buckley, 2009), political factors (Rajwani and Liedong 2015; De Villa et al 2019), sociological perspectives (Akbar et al, 2017 ; Sinkovics et al, 2018), as well as structural reforms in relation to exports (Cuervo-Cazurra and Dau, 2009). The institutional complementarities/negative institutional complementarities contributed to an economically interactive/integrative analysis of institutions; compared to more isolated analysis in the IBV. The recognition of governmental role within capitalist variety allowed the IBV to capture broader implications stemming from governmental activism towards institutional configurations; moving beyond reductionist conceptions of governmental role. This relates to previously established debates in the IB literature about the role of government in the context of firm exports (Wang et al, 2012). Finally, consideration of external-contextual factors (of importance to DME variant of capitalist model) enabled the IBV approach to recognize additional aspects which impact on domestic institutional frameworks. This relates to contemporary debates in IB literature about the influence of external context on exports (Jamshidi and Moazemi, 2016) and the recognized need to consider contextual factors in IB research (Michailova, 2011). Additionally, the VoC approach in this thesis also directed the IBV's greater attention to informal institutions (such as culture) which is often neglected in the IBV studies which are more economist in nature; hence cannot truly capture cultural factors in a quantitative study. This deficit in IB studies has been articulated by Makhmadshoev et al (2015) in their exports related paper, which highlights the importance of these informal cultural dimensions.

All of these theoretical concepts fruitfully enhanced the empirical analysis of SME exports in the domestic context. These fruitful enrichments of the IBV approach with the VoC insights, were elaborated further in chapter 6, where the RBV was also introduced into the equation. Essentially, whilst IB studies utilising synergy between IBV-RBV approaches have been growing in the past decade (e.g Krammer et al, 2017; Gao et al, 2010), they suffered from above mentioned thin conceptualisation of institutions inherent to the IBV approach (Deeg and Jackson 2008, 2019). As a result, integration of RBV insights (i.e resources and capabilities) into institutional considerations of the IBV were incomplete and missed a deeper understanding of the mechanisms through which these interactions occur. By contrast, the VoC insights, which enriched institutional understandings of the IBV approach, added more depth and new perspectives into how domestic institutions shape SME resources and capabilities (also see Makhmadshoev et al 2015, for the value of VoC perspective in IB studies on SME exports). Essentially, it has been argued that domestic institutions are not neutral economic constructs and instead they are embedded within socio-political structures of the capitalist model i.e clientelism, rent seeking, corruption and state capture in the political sphere as well as cultural norms and habits in the social sphere. As a result, it can lead to more distorted structuring conditions for availability of local resources to SMEs (see case of Greece). This relates to IB debates about distortions within institutional frameworks and its impact on firm's resources in the context of exports (see Manolopoulos 2018). Also, it has specific implications for capabilities which need to be possessed by domestic SME managers in order to navigate around such complex system (e.g 'value creation' capabilities in Sweden and 'crisis management' capabilities in Greece). This discussion can be connected with the established debates in the IB literature about dynamic capabilities of managers in their export journeys (e.g Efrat et al, 2018; Prasertsakul, 2013).

Overall, whilst previous IB literature on very rare occasions has integrated some VoC insights to study firm internationalisation puzzles (see Makhmadshoev et al, 2015; Mariotti and Marzano, 2019; Deng and Wu, 2017); this thesis moved significantly further in that direction and contributed to this under-researched potential. The innovative attempt to merge IBV-RBV theories with the VoC insights, conducted in this thesis, sets the scene for future research on such integrative approach and its application to understanding firm internationalisation puzzles. This thesis has argued that such synergy can be utilised in a highly developed country context (i.e Sweden) and a less developed country context (i.e Greece). The potential for future research is especially visible for less developed countries (i.e developing countries/emerging markets); given that many of such countries exhibit various similar political economy characteristics as Greece, with domestic SMEs facing similar internationalisation issues. This can be seen in Chandra et al (2020) in IB related literature review on this topic. The analysis of such case studies especially require such intellectual synergy as the idea of domestic institutions as embedded within socio-political structures is highly present in those countries due to corruption and cultural barriers to doing business. Overall, the synergy between the IBV and the VoC and its interaction with the RBV, allows to redirect the focus and/or reflect on priority questions in future research. For instance, these could focus on understanding the reasons/sources for existence of given institutional configurations e.g what are the socio-economic-political roots which determine business related institutional environment in a given country? Also, dynamics behind continuity and reform of these institutional environments can be explored by asking e.g to what extent business actors (such as SMEs) can shape the direction of institutional changes in a given country? Furthermore, it can be investigated how the external-international context affects domestic institutional structures e.g to what extent external-international factors determine the domestic institutional foundations and to what extent are these external factors changeable by a given country? Finally, the dynamics behind the functioning of firms within these institutional structures can be considered e.g how different firms (SMEs compared to MNEs) navigate with their resources and capabilities around such complex environments to maximise their performance and internationalisation?

There is also a further potential avenue of research for IB scholars who wish to utilise the IBV-RBV-VoC synergy to also engage with a related literature on 'international entrepreneurship'. The international entrepreneurship literature focuses on entrepreneurial behaviour of managers e.g in relation to how they embrace opportunities and react to challenges (Keupp & Gassmann, 2009; Knight, 2001) in the international context e.g exporting (Dikova et al, 2016). There is a scope for IB scholars to build on knowledge accumulated in the international entrepreneurship literature e.g related to entrepreneurial orientation (Lumpkin & Dess, 1996; Balodi, 2014), strategic orientation of SMEs towards exports (Hakala, 2011) and importantly international orientation of managers exemplified through 'global mindset' (Felício et al., 2012; Kyvik, 2011). An engagement with these international entrepreneurship insights, can allow IB scholars to extend the IBV-RBV-VoC synergy further by considering various relevant questions. For instance, it could be explored which particular entrepreneurial characteristics and traits of managers are crucial for overcoming domestic institutional challenges and to what extent these are similar or different from entrepreneurial characteristics and traits required for managers to succeed in global markets? Furthermore, it could be considered, to what extent managers who succeed globally though their 'global mindset' entrepreneurial orientation, can translate knowledge and skills from foreign markets to overcoming domestic institutional challenges? By focusing on such questions, using insights from international entrepreneurship literature, IB scholars will be able to further develop the knowledge related to managerial capabilities required to function in the institutional environments within respective domestic varieties of capitalism.

Additionally, IB scholars utilising the IBV-RBV-VoC synergy, can more deeply develop a more sociological perspective, as an avenue of future research by engaging with the division between institutions as objective indictors and institutions as subjective phenomena. Whilst this thesis has integrated primary interviews in order to gain insights on perceptions and attitudes of SME managers, experts and policy makers, there is still scope to ask more profound questions in future research. In that regard, IB scholars can build on existing IB literature which embraces this subjective approach to institutional matters (e.g García-Cabrera et al, 2016; Akbar et al, 2017 ; Sinkovics et al, 2018) and especially the finding from Ganotakis and Love (2012) which argues that the perception of risks, costs and barriers determines decisions to export (instead of rational assessment). Building on these insights, it can be asked, to what extent the socio-cultural foundations of domestic variety of capitalism shape these negative perceptions and sentiments among SME managers towards exports? Furthermore, to what extent are these managerial attitudes changeable in a given socio-cultural context within respective capitalist model? These future questions will help IB scholars to further unpack the sociological perspective behind the IBV-RBV-VoC synergy.

Furthermore, this thesis has made some original contributions to the CC literature.

The insights from the VoC approach have been regularly utilised throughout all three empirical chapters, however conceptually innovative solutions were applied and contributions to under-researched CC dimensions have been made. This thesis has applied the DME category to Greece. In contrast to previous CC literature which utilised the DME category to the CEE region (see chapter 1 section 1.2.2), this thesis has applied this category to a Southern European country. In doing this, it has indicated different sources of dependency for Greece compared to how dependency functions in the CEE region. For Greece, the sources of dependency related to its Eurozone membership and debt driven growth which relied on external financing (see chapter 3 section 3.2.1). This also led to political dependency, as reform packages to Greece post 2010 were imposed by external actors with limited sovereignty of Greek governments to decide on this reform agenda. Whilst many of these reforms aimed to move the country in the right direction, the outcomes were limited due to inherent features of Greece's capitalist model (such as clientelism, rent seeking and state capture) which prevented sufficient reforms of domestic institutions and enforcement of policies. This particular finding contributes to conceptual argument about underperformance of capitalist models outside of exemplar capitalist varieties i.e LMEs and CMEs (see chapter 1 section 1.2.4).

Overall, expanding of the DME category beyond the CEE region (to include Greece) holds implications for future CC research in light of existing suggestions to capture external-contextual-international influences on domestic capitalist models (see chapter 1 section 1.2.1). For instance, other Southern European countries, which may have better functioning domestic institutions; still also exhibit similar sources of dependency as Greece (i.e membership in the Eurozone, debt driven growth, essentially leading to political dependency) meaning that DME category could be applied to them. Moreover, due to globalised nature of the world economy, many developing countries outside of Europe, also exhibit forms of dependency, making regions such as Latin America, Africa and parts of Asia a fertile ground for the application of DME category. Some countries in those regions form regional currency unions or peg their currencies to the Euro or the Dollar, hence they do exhibit dependency in monetary terms. Also, they exhibit dependency on debt driven growth and external financing, which ultimately leads to political dependency where influence of international actors need to be taken into account.

Additionally, other forms of dependency (beyond those present in the CEE region, and in Greece) should be explored for other developing countries e.g dependency on being part of bilateral or regional trade agreements and structuring conditions which these set for these countries. The findings from this thesis (using the case of Sweden) also contributed to the debate about hybrid vs distinct nature of capitalist models in the context of institutional complementarities (see chapter 1 section 1.2.2) which holds important implications for some of the inherent logics of the CC literature. Traditionally, Sweden was classified as a CME model, hence this thesis selected this conceptualisation as an operationalizable category at a starting point; however with caveats, implying that it is a deeply hybrid economy, indicating that this thesis will reveal more evidence about Sweden's capitalist model (see chapter 3 section 3.2.6). Following analyses of various dimensions in all empirical chapters, the conclusion in chapter 5, has made a final judgement on the Swedish capitalist model; based solely on dimensions analysed in this thesis. It has been argued that the Swedish capitalist model is inherently hybrid, underpinned by almost equal share of LME and CME elements, with slight skewness towards LME solutions as fundaments of its overall competitiveness (of relevance to SME exports). The LME components in Sweden included: (i) informal institutions i.e culture, (ii) business environment, (iii) product markets, (iv) access to sound finance, (v) free trade openness; and these were surrounded by CME elements i.e: clusters, industrial policy, labour market and taxation.

It can be argued that consideration of dimensions beyond those analysed in this thesis, will also contribute to hybrid image of the Swedish capitalist variety; e.g its welfare state can be associated with CMEs, however its fiscal conservatism (i.e spending discipline; since 1990s) can be associated with LMEs. These findings hold significant implications for the CC literature. Firstly, they contribute to arguments that some (or perhaps many) economies are inherently mixed and hence it is hard to strictly classify them into a given overarching capitalist model (see chapter 1 section 1.2.2). Whilst this argument was acknowledged at the inception of the CC literature, the case of Sweden was rather confidently acknowledged as a CME, but in light of this thesis' findings, it turns out that it can be a rather misleading generalisation. A more fundamental argument could be made that in line with various changes in the global economy and international politics, more economies will end up becoming inherently mixed in nature, making overarching categorisations such as LMEs and CMEs rather misleading generalisations. This differs to more conventional critical arguments against to the CC literature which suggest that, in line with globalisation, all capitalist models will converge to one variety of capitalism (namely LME). Here, the CC literature rather fruitfully justified that it will not occur due to existence of special features in each capitalist model e.g path dependency amongst other things.

The argument that more capitalist models will become hybrid in nature yields a future challenge to CC scholars. Moreover, an argument of similar nature, but more strictly relating to institutional complementarities need to be made. Essentially, it has been presented using the case of Sweden, that institutional complementarities do not need to consist of or stem from harmonious combination of LME or CME elements within a given capitalist model (i.e an argument that LMEs solely consist of LME type of institutional complementarities, whereas CMEs solely consist of CME type of institutional complementarities). Instead, hybrid economies which combine LME and CME elements form institutional complementarities which are hybrid in nature (e.g a combination of free trade openness and governmental activism in form of industrial strategy related to free trade in Sweden). Also, importantly, such hybrid institutional complementarities are competitive; and, overall such hybrid capitalist model is performing just as well as those with harmonious institutional complementarities. In practice, this can be used as an argument against initial logic of institutional complementarities presented at the inception of CC literature (i.e assumption that institutional complementarities are harmonious in nature). This contributes to the conceptual argument presented in chapter 1 section 1.2.2. As a result, in terms of future research, this provides CC scholars with a strong incentive to re-conceptualise the combinations that form institutional complementarities and these should be done in connection to the previously outlined dilemma about hybrid nature of economies.

The final theoretical contribution of this thesis is the interactive dialogue between the IPE literature utilising the GVC approach and the CC literature with its VoC approach. More specifically, this thesis has indicated a theoretical potential in studying GVC puzzles (namely upgrading processes and the role of government in GVC context) using the insights from the VoC approach. In chapter 4, it has been presented that processes of SMEs upgrading (i.e the efforts of SMEs to capture higher value- added activities) are embedded within domestic institutional structures which shape these processes. Moreover, these institutional structures are intrinsic to a given capitalist model, bringing the VoC approach into the equation. More specifically, it has been highlighted that the upgrading of SMEs within GVCs is dependent on the conduciveness of national innovation system. Here, it has been argued that national innovation system is intrinsically part of an overarching capitalist model; and, hence, country innovation capacity is determined by the foundations of a capitalist model. This, in turn, shapes structuring conditions for SME innovation activities in the context of their upgrading within GVCs. As a result, in order to unravel such empirical puzzle, a theoretical synergy between the GVC and the VoC approach has been suggested. A similar synergy, was deployed in this thesis in relation to governmental roles in the GVC context which is also conditioned by the overarching capitalist model. In chapter 5, it has been argued that various roles which governments play in the GVC contexts (e.g facilitator or regulator roles) are influenced by respective capitalist model in which a given government operates. Essentially, a government can use its apparatus to boost SME operations and their exports. However, governmental capacity for action in the GVC context is shaped by the internal underpinnings of the capitalist model. Here, it has been argued that especially Greek governments struggled with the role of facilitator in the GVC context, this was due to key features of Greece's capitalist model which prevented successive Greek governments from undertaking various actions related to the facilitator role. Overall, the interactive dialogue between the GVC and VoC approaches (in relation to upgrading processes and governmental roles), indicated in thesis, yields strong potential for future research. In terms of future research, GVC scholars can use VoC insights to gain a deeper and more systemic understanding of domestic institutional processes behind upgrading efforts of firms and governmental roles in supporting those efforts. Without such insights, GVC scholars may not be able to fully capture domestic obstacles to upgrading (or understand sources of factors which lead to upgrading success); or domestic factors conditioning governmental roles in upgrading processes.

Looking into the Future: Broader Managerial and Policy Implications

The empirical and theoretical findings stemming from this thesis entail various managerial and policy implications of broad relevance beyond the case studies analysed in this thesis.

In terms of managerial implications for SME managers (operating in other European or non-European countries) the main lesson which is striking from this thesis, is the interdependence between resources, domestic institutions and the capitalist model context. SME managers need to be aware that acquisition of valuable resources (required for firm functioning and exports) is dependent on the conduciveness of domestic institutions; whereas such institutional conduciveness is shaped by the broader capitalist model context. It is important that SME managers are aware of such interdependencies in order to understand the reality in which they operate in. The possession of required capabilities by SME managers is crucial in order to navigate around such interdependent reality. Essentially, SME managers operating in institutionally conducive capitalist models are able to prioritise 'wealth creation capabilities' (i.e entrepreneurial skills required to create value added, capture new clients, expand market shares and new export markets). By contrast, SME managers operating in institutionally deficient capitalist models, need to possess wealth creation capabilities too but instead their main priority is the possession of 'crisis management capabilities'. These include contingency planning and survival management consisting of abilities to anticipate, prepare and flexibly respond to frequently occurring crises which are inherent to contexts in which those SMEs operate in.

Also, SME managers in both institutionally deficient and institutionally conducive capitalist models, need to pay attention to cultural capabilities allowing them to function in their respective domestic settings. This requires appreciation from SME managers of how cultural features shapes HR management and their broader relations with employees; here understanding of problems stemming from these cultural features need to be taken into account and a 'navigation plan' around these challenges should be composed. Additionally, political capabilities, may be of some use to SME managers. In institutionally conducive capitalist models such political capabilities could consist of the ability to forge connection with various governmental agencies in order to acquire information about exporting opportunities and support mechanisms available. In institutionally deficient capitalist models, apart from information acquisition, SME managers could utilise political capabilities to seek some support from the government side to compensate for institutional impediments. Besides these contingencies, however, insitutional reform in such institutionally deficient capitalist models is essential, leading SME managers to fully focus on entrepreneurial wealth creating capabilities.

The findings from this thesis also entail numerous policy implications of relevance to policy makers. The case studies of Sweden and Greece manifested in a striking way the competitiveness disparities between EU member states, underlying core and periphery divisions. The main implication stemming from it relates to the question of competitiveness convergence (i.e is it possible that peripheral EU member states will successfully catch up with more developed EU counterparts?). In order to address these competitiveness gaps, policy makers would be confronted with different policy proposals, all which however involve complexities (pros and cons)- meaning that there are no easy solutions here. An area which could receive greater attention is the Eurozone. As an incomplete economic union, the Eurozone has its contradictions and inefficiencies. It integrates countries with different capitalist models and different competitiveness capabilities into a single monetary union. It means that less competitive countries (e.g in Southern or Eastern Europe) with deficient capitalist models are trapped within the Eurozone where they cannot capture similar fruits of the Euro currency as more competitive countries such as Germany which are better placed to embrace the potential of export-led growth. In this context, greater European investment in the peripheral Eurozone members, could help to address existing competitiveness deficits. Such a prospect would likely entail more European integration, both on the economic and political level. Access to finance in this regard will be key. Given the importance of access to finance for firms as highlighted in this thesis, ensuring the availability of capital and its equitable distribution across Eurozone members will be critical.

There are however several problems with pursuing this policy option. From an economic point of view, there is no guarantee that greater investment would bring desired competitiveness gains in peripheral Eurozone countries. Looking back at historical examples, there are still debates about e.g post second world war Germany and the reasons boosting its competitiveness gains. Whilst some people point to the Marshall Plan (i.e greater external investment), others argue that its impact was marginal and instead competitiveness gains originated from pro-market oriented reforms in Germany as part of its post war 'ordo-liberal' model. Similarly, here, it can be argued that a greater investment into peripheral Eurozone members may not be sufficient to spur competitiveness gains. Instead, implementation of structural reforms (e.g removal of business environment bureaucracy, liberalisation of product markets, low and simplified taxation, sound access to finance for firms and a flexible labour market) may be the only long term solution to current imbalances. Another risk with the proposal involving greater investment into peripheral Eurozone members is related to clientelism. Essentially, greater financial resources would be given to politicians, bureaucrats and public officials in peripheral Eurozone members who were responsible for feeding clientelism (e.g as in the case of Greece). Such injection of money could lead to misallocation of resources (i.e money flowing into wrong target audience) and could risk making clientelism even worse rather than eradicating it. This would be highly problematic as this thesis has argued that Greece was not able to sufficiently embrace competitiveness reforms due to clientelism, rent seeking and state capture.

An alternative policy proposal, could recognize the inherent limitations of the Eurozone and an inability of peripheral members to co-exist within this union in the future, essentially leading to member states exiting the Eurozone and possessing their own sovereign national currencies. Following the logics of varieties of capitalism, it could be argued that countries are different as they have their own unique characteristics stemming from the special features of their capitalist development. The unique characteristics of each country are manifested within historical path dependencies of a given country, current socio-political coalitions (which facilitate or inhibit reforms) and external conditions which shape its domestic configurations. This understanding would entail limits to 'Europeanisation' (i.e limits to European integration) in the form of European monetary policy but also in the form of a single overarching European 'solution' to specific national problems of heterogeneous member states. Whilst, such arguments about national currencies can make a logical sense, there are risks in such proposals too and there are no guarantees that it could lead to competitiveness gains for those peripheral members. Whilst countries would regain control over their currencies, enabling them to gain competitiveness of their domestic products through devaluing their currency, there could be other competitiveness risks. For instance, higher inflation (which could be imported through devaluing of sovereign currency); or a burden caused by ballooning foreign denominated debts (which could occur when currency devalues) or speculative attacks on such sovereign currencies (with domestic capital flight which this could entail). Also, the case of peripheral Eurozone member-Greece, illustrates that competitiveness problems existed not only during the time of its Eurozone membership, but also during previous decades when Greece possessed 'Drachma' as its sovereign currency.

Overall, it can be seen that there are no easy solutions, because both proposals (i.e greater European integration through collective Eurozone borrowing and investment or leaving the Eurozone and the return to national currencies) are subject to complexities and contradictions. However, it is apparent, that in the long term, competitiveness disparities between EU member states need to be resolved in order for the Eurozone to survive. The case of Greece, illustrated the potential dangers for the future of the Eurozone, due to the possibility of 'Grexit' - (potential exit of Greece from the Eurozone)- which ultimately did not materialise, but it was a warning for the future of the Eurozone. The lesson for European policy makers, should be to sufficiently recognize the unsustainability stemming from these competitiveness disparities between Eurozone member states and prioritise reforms in those member states with competitiveness deficits. The unsustainability related to competitiveness deficits in peripheral Eurozone members is magnified further by high debts in such countries. Whilst, for now, the actions of the ECB (i.e its quantitative easing programme related to bond buying) helped to provide financial liquidity and prevented bankruptcy of some peripheral Eurozone countries- at some point in the future the ECB's quantitative easing programme will end; and this may revive fears for Eurozone's survival.

The competitiveness disparities between core and peripheral EU members, also entail implications for EU's trade policy agenda. EU's trade policy makers should take into consideration the divergent competitiveness performances of EU member states because of the importance of national competitiveness for the facilitation of exports. Given that peripheral EU members may already be disadvantaged by not being able to sufficiently embrace export opportunities through EU's trade agenda, the content of EU's trade agreements with third countries must not provide an extra disadvantage to these peripheral EU members. Essentially, the EU's trade policy makers should make sure that EU's free trade agreements with third countries are equally reflective of comparative advantages of all EU member states (core and peripheral countries). This would mean that attention must be turned towards sectors of speciality in all EU member states and provide external market access in all those sectors, which would allow peripheral member states to export their products/services of speciality to third countries around the world. Whilst core EU member countries may have a stronger lobbying power during EU's trade policy making, the trade interests of peripheral EU members should be taken with extra care by EU's trade policy makers in the context of competitiveness disparities in the EU.

The interests of SMEs (especially SMEs from peripheral EU countries) should also be considered as a priority in EU trade policy making. This is due to importance of SMEs to the economies of all EU member states, but especially to peripheral EU members where MNEs are less prevalent compared to core EU member states. In terms of trade, whilst MNEs can more easily embrace export opportunities, SMEs often lack similar resources needed to export and hence would benefit from EU trade agenda tailored towards their needs. There are signs indicating that the EU has recognized this need, as its latest trade policy announced in 2021 (called: 'An Open, Sustainable and Assertive Trade Policy) turned special attention towards SMEs. It argued for a strong focus on allowing EU's SMEs to gain value and maximum benefits from existing trade deals, as well as development of online tools to support EU's SMEs. The implementation of this agenda and the extent of support to SMEs remains to be seen in the future, but so far at the level of rhetoric it looks promising.

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Appendix

General Questions to all Experts/Researchers/Academics/Policy Makers/Public Officials

-How would you assess general economic competitiveness of the country? How has it changed over time? How would you assess the reforms? (if there were any)
-How would you assess the business climate in the country? How has it changed over time? How would you assess the reforms? (if there were any)
-How did the domestic formal and informal institutions impact on exports of SMEs?
-How did governmental policies impact on exports of SMEs?
-What are the main benefits and impediments in the country's domestic setting in relation to SMEs at different stages of their operation?

Specialist Questions to Specific Experts/Researchers/Academics/Policy Makers/Public Officials (depending on the area of expertise of the interviewee)

What is your assessment of the domestic taxation system? How did various taxation factors impact on SME functioning and exports?
What is your assessment of the domestic labour market? How did various labour market factors impact on SME functioning and exports?
What is your assessment of the domestic business environment? How did various business environment factors impact on SME functioning and exports?
What is your assessment of the domestic innovation system? How did various innovation system factors impact on SME functioning and exports?
What is your assessment of the domestic access to finance structure? How did it impact on SME functioning and exports?
What is your assessment of the domestic trade policy? How did various elements of the trade policy impact on SME functioning and exports?
What is your assessment of the domestic product markets structure? How did it impact on SME functioning and exports?
What is your assessment of the domestic tripartite relations structure? How did it impact on SME functioning and exports?

Questions to SME owners/managers

-What is your view of the domestic formal and informal institutions? (business environment, access to finance, product markets, tripartite structures; national cultural features); How did these impact on your firm and SMEs in general?
-What is your view of the domestic governmental policies? (taxation, labour market, trade); How did these impact on your firm and SMEs in general?
-In your view, what were the main benefits and impediments in the country's domestic setting in relation to your firm in different stages of your operations? How do you assess the reforms? (if there were any)
-Can you describe the main market survival strategies of your firm? Can you provide some examples or stories exemplifying these strategies in practice? Which factors influenced your managerial decision to purse these strategies?
-Can you describe the main export strategies of your firm? Can you provide some examples or stories exemplifying these strategies in practice? Which factors influenced your managerial decision to purse these strategies?