GREEK SMALL & MEDIUM SIZED DAIRY &CHEESE ENTERPRISES: A STRATEGIC ASSESSMENT UNDER THE ECONOMIC CRISIS

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ABSTRACT. Small and medium sized agro-enterprises can play a critical role in creating rural income and employment opportunities, through the demand they create for raw material supplies, such as milk. In addition, small and medium sized enterprises are responsible for generating a significant share of products and services in the agricultural sector. Moreover they can create income and employment in rural areas where the opportunities for employment are in shortage. However, there are major constraints that must be addressed in order to realize the full developmental potential of SMEs. These constraints are getting more severe, as the economic crisis in Greece is still undergoing.

This paper conducts a strategic assessment of the Greek small and medium dairy and cheese enterprises in the area of Thessaly (Central Greece) in order to illustrate how they have responded to the economic crisis and also to investigate their strategic orientation for the next period. For this reason, a qualitative research has been carried out during the first half of 2013 using in depth interviews with SME executives in order to illustrate their financial situation and their reaction to the crisis.

The key issues facing SMEs are, in general, how to survive, how to develop, how to be competitive, and what are the market challenges. An improved understanding of these challenges, strategies and priorities for SME– as perceived by their managers – can help SME not only cope with the economic crisis but also to help them to expand and establish their role in the local economy. SMEs that are appropriately capitalized and managed can produce high quality branded and labeled products, which can create added value for the agricultural products, increase revenues and even more to create export

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revenues. Thus, the results' analysis could provide helpful directions not only for the Greek SME in the dairy and cheese sector but also for food businesses operating under a severe economic situation such as the Greek economic crisis.

Key words: Small and Medium Size enterprises, Dairy Sector, Strategic - Management, Economic crisis

JEL Classification: L21, L26, M00

1. Introduction and Literature Review

Greece is now in its fifth year of deep recession. In a country where 85% of private employment is concentrated in the SME sector and more than 50% in micro enterprises (0-9 employees), the prolonged recession, aggravated by austerity measures and the delay of much-needed structural reforms, has affected SMEs profoundly and disproportionately more than large enterprises, especially since the last five years consistently have been recorded a negative growth rate of Greek GDP at 2005 prices.(ISE, 2014).Many research works (i.e. Latham 2009) reveal that small businesses are the first victims of a prolonged economic crisis. Also, SMEs are those who are disproportionately affected by the crisis compared with the larger enterprises, due to limited financial resources and the main dependence on bank lending, forcing them to pay higher interest rates than large firms, which burdens even more their effectiveness.

According to Kitching et al. (2009) despite differences in the causes, depth and duration of particular recessions, two broad sets of views regarding how small businesses are affected by recession, and other external shocks, can be discerned – these may be termed the "vulnerability" and "resilience" views. On the vulnerability view, small businesses are treated as highly susceptible to external shocks, such as recessions, with firm performance declining in line with GDP. Small firms possess limited resources, customers and product lines across which to spread their risk – all of which restrict a firm's capacity to withstand competitive pressures in adverse macroeconomic conditions. They are also much more likely to cease trading than larger enterprises. A study of established manufacturing small firms pointed to time lag effects with an economic downturn affecting first sales, then profitability and finally survivability as short-term responses proved insufficient to keep the business alive in the medium-term. This study also raised questions about the long-term consequences of adaptation strategies cutting investment and substituting labour (sometimes own labour and that of family members) for capital. Under this view, falling GDP at the macro level causes performance decline at the micro level and, in severe cases, business closure.

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On the resilience view, according to the same authors small businesses are perceived as able to survive, and possibly thrive, during periods of economic downturn, owing to their flexibility in adjusting resource inputs, processes, prices and products. A deteriorating macroeconomic environment does not necessarily lead to small business performance decline and exit or contrary to the pronouncements of some commentators, constrain every small business in the same way. Recession may stimulate activity in particular sectors, or in particular kinds of business. Where customers switch to cheaper products to restrict expenditure, for example, this may boost suppliers of such goods and weaken the position of higher-priced providers. Some businesses might be willing to undertake risky investment, innovation or diversification because they believe current practices will not sustain performance levels. Business performance does not map on to business size in a direct way. Thus, the analysis should focus on the particular circumstances shaping individual firms' activities, business owners' responses, and the variable levels of performance achieved. Size is only one influence on small firms' adaptations and performance under recession conditions. What is missing is an analysis as to how and why small businesses adapt to recession conditions in the ways they do.

Firstly, it would be useful to provide a theoretical framework of how a SME is defined and the factors that affect their available strategies. In general, EU uses the number of employees and the annual turnover in order to define a SME (Medium-sized enterprises; < 250 employees and < 50 million € turnover, Small; < 50 employees and < 10 million € turnover and micro enterprises; < 10 employees and < 2 million € turnover). However a SME can be defined as follows: (a) enterprises with a relatively small share of their market; (b) managed by owners or part-owners in a personalized way, and not through the medium of a formalized management structure; and (c) acting as separate entities, in the sense of not forming part of large enterprise or group. Yet it is acknowledged that using the number of employees as a measure of firm size may create a number of anomalies (Storey, 1994). Thus, both quantitative and qualitative measures are used in defining the SMEs.

Storey (1994) also discusses the general differences between large and small firms in terms of centrality of owner-manager, the structure, resources and number, and variety of products and range of markets served. In smaller firms, owner-managers are less able to influence competitive environment than larger firms. Besides, smaller firms' organization structures are likely to be organic and loosely structured rather than mechanistic and highly formalized (Jennings and Beaver 1997), In smaller firms, all the roles will either be performed by one manager or by a very narrow range of managers who may have been appointed because they are family members or friends rather than on the basis of ability or education.

Some of the potential economic and social benefits of the SMEs to their capacity can be summarized as follows: (a) create jobs at low cost of capital; (b) contribute positively to the Gross Domestic Product (GDP); (c) provide an opportunity to expand the entrepreneurial base; (d) provide the required flexibility to adapt to market changes; (e) provide support to large scale enterprises; (f) enter into market niches which are not profitable for larger enterprises; and (g) contribute to development policies that are more oriented towards decentralization and rural development. Nevertheless, all the above may never be fully realized without an adequate regulatory system and an encouraging environment (Sultan, 2007).

In order to assure the aforementioned economic and social benefits of the SMEs it is necessary not only to study the problems confronting them but also to understand how to overcome these barriers and how they affect SMEs' performance. Many factors are hypothesized to impact business performance. Competitiveness is the mean by which entrepreneurs can improve their firm's performance, and which can be measured according to a number of dimensions including market share, profit, growth, and duration. However there is no consistent pattern to the characteristics, which contribute to business competitiveness, success and growth. What is more, not all small firms are growth-oriented, and the majority of owner-manager focuses on day-to-day survival. Eventually, the majority of small enterprises are really small, and even if they survive an economic crisis they are always likely to remain small-scale operated.

Nevertheless, performance seems to be strongly dependent on enterprises' strategy choices. Jones& Tilley (2003) developed a conceptual framework for the competitive advantage in small firms. To be effective, they claim that the starting point for the owner-manager of a SME is to establish a broad strategic framework for the firm. They also claim that organizational flexibility is the key source of competitive advantage for most SMEs. Roper (1999) sheds light on factors determining an enterprise's business strategy and the impact such a choice holds on the firm's performance consequently. Roper sets three categories to measure strategic choices: Products and Markets, Systems and Management and Control. The one strategy choice that shows a positive correlation with both growth and profitability was the developing new exports markets, which comes as a component of products and market strategic choice (i.e. Gavruchenko et al., 2003). Furthermore, strategic choices are strongly tied to the firm's environment.

There are different definitions for a firm's strategy. All these definitions are sharing in defining the strategy as an action to be taken in the future. Porter (1996) defines strategy as: "The creation of a unique and variable position,

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involving a different set of activities." He states that the essence of strategy is choosing to perform activities differently from rivals do and those firms must consider strategic positioning and strategic fit when crafting strategies. Barney (2002) defines the strategy as "A firm's theory about how to compete successfully." Porter (1985) determined three generic strategies firms can possess: the cost leadership, differentiation and focus. Sources of cost advantage are likely to be rare including learning-curve economies, differential low-cost access to factors of production, and technology. Firms can differentiate their products in different ways: product features, linkages between functions, timing, location, product mix, links with other firms, product customization, product complexity, consumer marketing, distribution channels, service and support, and reputation. Differentiation is more attractive to small companies, particularly when linked with focus (Loizou et al., 2013). Firms focus on a particular market niche and company resources are devoted to maintain market leadership in that niche. In 2001, Porter indicated that a firm can obtain profits more than the average market player by operating at a lower cost, or by charging a premium price, or by doing both (Porter 2001).

Besides the generic strategies described by Porter quite important strategies for SMEs are the innovation strategy, the networks (clusters) and the flexibility strategy. In brief, innovation is a broad term that encompasses any new development in firms. It can involve creating or reengineering products or services to meet new market demand, introducing new processes to improve productivity, developing or applying new marketing techniques to expand sales opportunities, and incorporate new forms of management systems and techniques to improve operational efficiency. However there are many constraints on the ability of SMEs to innovate. These constraints are namely: finance, management and marketing, labour, and information. In general, small firms have little commitment to research and development and are highly dependent on external knowledge sources (Vossen 1998). Nevertheless, innovating SMEs can perform higher in terms of sales and exports. Moreover quality, specialization, speed of delivery and after sales services can be regarded as much more important in terms of improved competitiveness by innovators in comparison to non-innovators who tended to concentrate on low-cost leadership strategies. Also, high innovators place more emphasis on a wide range of network linkages to access services such as market research, advertising, legal, banking, insurance and technical support (Bagshi-Sen, (2001).

The SMEs belong to clusters and networks are often more competitive and innovative than those operating in isolation (OECD, 2000). Some clusters are structured and formal while others are informal. Networking allows the SMEs to combine the advantages of smaller scale and greater flexibility with economies of

scale and scope in wider markets - regionally, nationally and globally. Competitiveness of small firms is strongly influenced by the level of the inter-firms collaboration. These links can take different shapes in which different firms join together to co-produce, co-market, or co-purchase, cooperate in new product development, or share of information (Chatzitheodoridis et al., 2013). While networking is viewed as an important requirement in enterprises of all sizes, these learning opportunities are argued to be of particular importance to small firms in order to offset the vulnerability of size acting as the key determinant of organizational success.

Last but not least, SMEs have the ability to change their strategic plans quickly and at low cost. Small businesses offer some of the best options for making meaningful productivity gained in the global marketplace based on their flexibility and speed in adapting to market dynamism. According to Jones and Tilley (2003), organizational flexibility is the key source of competitive advantage for most SMEs. Flexibility and responsiveness to customer needs can act as a mean to compete large-scale mass producers.

This paper investigates how a sample of central Greece-based small dairy enterprises has adapted to recession conditions and with what consequences for their strategy. The analysis can broaden the understanding of how recession conditions shape small business activities and strategies. More specifically, the study attempts to

- identify the effects of the recession and economic crisis on small dairy enterprises,
- investigate small business responses, and
- analyse business future strategies.

The remaining paper is structured as follows. The second section describes the research framework used in this study followed by a discussion on the results and the conclusions.

2. Material and Method

The current study aims to illustrate the current situation of the SME in the Greek dairy sector in order to identify strategies that can be used by SMEs and other businesses to exit the crisis. The prolonged recession, and the consequent rise in unemployment rates, has had a very negative cumulative impact on companies, especially small and micro enterprises, which constitute the vast majority of the Greek SME sector. In terms of total number and contribution to employment and total value added, the SME sector in Greece is more dependent on micro enterprises than in other European countries. Greece belongs to a group of countries (together with Spain, Portugal and Italy) where

SMEs account for a higher proportion of total employment than in the rest of Europe; this is concentrated particularly in micro firms, which provide over half of all jobs, as compared with approximately 30% in the EU as a whole.

Table 1: Number of Greek SMEs, employees and value added compared to EU average

	Number of enterprises			Number of employees			Value added		
	Greece		EU27	Greece		EU27	Greece		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	513.780	96,7%	92,3%	916.074	54,5%	28,9%	17	34,6%	21,1%
Small	14.978	2,8%	6,5%	282.808	16,8%	20,2%	9	18,1%	18,1%
Medium-sized	2.301	0,4%	1,1%	227.958	13,6%	17,3%	8	16,3%	18,2%
SMEs	**531.059**	**99,9%**	**99,8%**	**1.426.840**	**84,8%**	**66,4%**	**34**	**69,0%**	**57,4%**
Large	378	0,1%	0,2%	255.413	15,2%	33,6%	15	31,0%	42,6%
Total	531.437	100,0%	100,0%	1.682.253	100,0%	100,0%	49	100,0%	100,0%

Source: *EU, 2013 available at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf*

The analysis is based on the perceptions of SMEs' executives' perceptions and reactions to the economic crisis. Such a preliminary research could be useful in reaching conclusions on the future of this sector. Formulating management alternative scenarios is a completely subjective issue that requires the analysis of qualitative variables and subsequent predictions employing an analytical method.

Analytical qualitative methods can be used for two main purposes: for predictive purposes, i.e. extracting information for future scenarios and for seeking views on a particular topic on which no prior information is available. In this paper, in-depth interviews were conducted with SMEs' executives. Interviewing is a method of qualitative research in which the researcher asks open-ended questions orally and records the respondent's answers. Interviewing is typically conducted face-to-face, but this one, has been done via telephone. An invitation was send to SMEs' executives, firstly through email and afterwards via telephone in order to invite them to participate in this survey. The topics of the interview were announced to participants two to three weeks before the interview.

The interview was divided in three parts. In the first part there are the demographic data of the respondent and their enterprise identity. In the second part an attempt was made to clarify the problems faced by SME and the desirable solutions (either by themselves or by the state) in order to confront the economic crisis. In this section closed questions using a 3-point Likert were

used. The third part of the interview contained a question about the future strategies and tactics that the owner –manager of the SME is willing to undertake in order to overcome the economic crisis. In this part, participants were asked to choose only one proposed strategy as their first priority.

To conclude there are two main topics which have to be investigated; the perceptions of the owners-managers about the economic crisis and how it has affected their enterprise and secondly, which management strategy and tactics could help them to overcome the crisis. To sum up, the analysis conducted in this paper is an appropriate qualitative technique to study the current status and to make future proposals for the dairy SMEs' within the framework of the economic crisis in Greece.

3. Results and Discussion

Thirty four small and medium size dairy companies took part in this study. Their characteristics are presented in table 1. More than half of the participants run a micro enterprise (turnover less than 2 million € and with less than 9 employees).

Table 2: The characteristics of the SMEs participating in the survey

Characteristics	Frequency (count)	Percentage (or SD)
Size		
Turnover		
< 2 million Euro	20	58.8 %
2-10 million Euro	11	32.4 %
> 10 million Euro	3	8.8 %
Number of Employees		
0-9	17	50.0 %
10-49	14	41.2 %
>50	3	8.8 %
Years in Operations	26.44 years	19.55 (sd)
Location and Activity		
Prefecture		
Larissa	14	41.2 %
Trikala	9	26.5 %
Karditsa	6	17.6 %
Magnisia	5	14.7 %
Activity		
Cheese	21	61.8 %
Milk and other dairy products	13	38.2 %
Total	35 SME Dairy Enterprises	

Table 3 presents the major problems faced by the Greek Dairy SMEs participating in this survey. Liquidity problems are the major problems according to the participating SMEs. For example, "Tiresias" the Greek system to report dishonoured checks reports for 2013 a total of 645.7 million € in dishonoured checks while in 2011 dishonoured checks reached 2.3 billion € (Imiresia, 2014). In addition, it is quite worrying the differential from the EU average in terms of banks' willingness to provide loans and the proportion of SME loan applications that are rejected. The total time it takes to be paid is still double the EU average (104 days as against 52 days), lost payments are almost double the EU average (5.9 % as against 3%) and the 'strength of legal rights' is not improving (EU, 2013). It is worth mentioning that SMEs consider as an important problem the tax services and the Social Security Services along with the amount of their payments to these services.

Table 3: The main difficulties faced by dairy and cheese companies participating in the survey during the crisis

Serious Problems	**Frequency (count)**	**Percentage**
Economic Problems		
Liquidity	22	64.7%
Dishonoured checks in the market	32	94.1%
Reduction in demand	19	55.8%
Public Administration Problems		
Social Security Organisation payments and transactions (IKA)	14	41.1%
Municipality / Prefecture Services	6	17.6%
Tax Services	20	58.8%

In Greece SMEs like all companies are confronted by the economic turmoil and, in some cases, closures affecting financial institutions. Banks' extreme reluctance to lend to Greek firms because of tight funding constraints due to the sovereign debt crisis exacerbates the vicious cycle of economic recession and severely affects Greek SMEs' efforts to remain active. Hardly any specialized financial support instrument for SMEs has been immune to the current financial situation and, in general, SMEs' access to loans, credits and funding sources is limited. (EU, 2013)

As a result of the liquidity problems faced by the majority of the participating SMEs was to try to reduce their labour cost (table 4). Three out of four enterprises tried to reduce their labour cost by reducing overtime hours (35.9%), working days (38.3%) and cutting down their production volume by shedding their production shifts. Thus, Greek small and micro enterprises are also moving towards more flexible employment forms vis-à-vis their employees, to

mitigate the risk of having to close down. As a consequence 40% of the SMEs participating in the survey reduced the number of their employees. In addition, the economic crisis has resulted in a new form of 'restructuring', with an estimated 1,500 to 2,000 Greek SMEs in 2011 and 2012 (according to information from the National Confederation of Hellenic Commerce) shifting their activities to neighbouring countries (including Turkey, Cyprus and Romania) in a bid to reduce labour costs and find new markets (EU, 2013). Nevertheless, only one out of four claimed that their effort to reduce their labour cost had a direct impact on their profits. The rest of the participants claimed that their efforts had no effect on their profitability.

Table 4: Tactics to reduce labour cost their effect on firms' profits

Tactics to reduce labour cost	Frequency (count)	Percentage
Reducing overtime hours	12	35.9%
Reducing Working Days	13	38.3%
Reducing production volume and hours (Shift)	10	29.4%
Redundancies	14	41.2%
Effect on Profitability		
Not trying to reduce labour cost	9	26.5%
Negative change to profits	3	8.8%
No change to profits	14	41.2%
Positive change to Profits	8	23.5%

In the next section respondents were asked to suggest a solution that would be of help to their enterprise to confront the crisis (table 5).The respondents' answers are almost equally divided in the three severe problems faced by SMEs. Thus, respondents desire a more responsive public administration for their enterprises, they consider that taxes and social security payments are enormous for their enterprises' size and finally they need to access bank loans to support their activities.

Table 5: Proposed Solutions by dairy and cheese companies participating in the survey in order to overcome the crisis

Solutions	Frequency (count)	Percentage
Less public bureaucracy (a responsive administration to SMEs)	10	29.4%
Less taxes and social security payments	12	35.9%
Improved liquidity (bank loans)	11	33.3%
Debt rearrangement	1	2.9%

In general, the Greek authorities are perceived by entrepreneurs as imposing more regulatory burdens than their EU peers. On the policy front, the new Law No 4072/2012 provided for a more flexible legal form of private limited company with just one member and a minimum capital requirement of only € 1 (compared to the minimum of €4,500 for other limited companies). The same law simplified licensing arrangements by introducing ICT based procedures linked to a single database, providing an integrated institutional framework for modernising and simplifying licensing procedures for technical professions, manufacturing enterprises and business parks. However, actual implementation has been slow, mainly due to the involvement of several ministries (Finance, Justice and Administrative Reform), as well as the regional authorities. This makes it difficult to ensure the necessary coordination, collaboration and synergies for decision-making (EU, 2013).

In the next section, respondents were asked to state which strategic direction they would follow in order to overcome this prolonged crisis' period (table 6). It is not surprising that the majority of the respondents (one out of three) answered that they are not taking any action waiting to see if there will be any changes in the whole situation. The next more favourable (one out of four) strategy for the participants was a defensive strategy, mainly expressed as effort to maintain their customers and their market shares. However, it must be noted that even for a position defensive strategy, the simplest defensive strategy, aiming to maintain an enterprise's current position in the market, investments are needed in order to protect a brand name and ensure customers' loyalty. Nevertheless such enterprises are the first target for new entrants in a market. The next strategies chosen by the respondents were the growth strategy and the cost leadership both at 17.5% of the sample. Growth is mainly expressed as expansion in new markets and cost leadership through a reduction in working cost.

Finally, even if clusters and networks for SMEs are often more competitive and innovative than those operating in isolation, only 9% of the sample claimed that they are willing to follow such a collaboration strategy. This is not surprising since Greeks are more attracted to be self-employed, much more likely than other EU citizens (double the EU average). EU Small business Act (EU 2013) report that the majority of the Greek owners stated a positive preference for this status (50% as compared with 37 % in the EU as a whole) and a higher-than-EU-average proportion have taken steps to start a business (32 % as against 23%). The above self-centered character of the Greek SMEs' owners could explain their unwillingness to undertake collaborative actions.

Table 6: Proposed business Strategies by dairy and cheese companies participating in the survey

Strategy	Frequency (count)	Percentage
Defensive(*keeping marketing share and customers*)	8	23.5%
Cost Leadership(*reduce production and labour cost*)	6	17,5%
Collaboration (*participate in networks /clusters*)	3	8.8%
Growth (*expand in new markets*)	6	17.5%
Nothing (*Waiting to see*)	11	33,3%
Total	**34**	100%

In the next session respondents were asked to state (with a 3-point Likert scale) their perceptions and their beliefs about the future of their SMEs and the economy of the whole country (table 7). It is worth mentioning that the majority believes that the future for their SME and the whole economy would be the same or worst in the near future. Another point that should be mentioned is that only one out of three believes that innovation and investments in innovation could help their SME and consequently the whole economy to exit the crisis.

Table 7: Perceptions about the firms' future and the exit of the economic crisis

Perceptions	Negative / Disagree*	Indifferent / The same	Positive / Agree*
	Frequency (Percentage**)**		
The next years for the economy will be… (*Economy future*)	9 (26.5 %)	13 (38.2 %)	12 (35.3 %)
The future of your company is… (*Firm's future*)	16 (47.1 %)	2 (5.9 %)	16 (47.1 %)
Your firms' turnover will be… (*firm's turnover*)	5 (14.7 %)	23 (67.6 %)	6 (17.6 %)
Innovation could help exit the crisis (*innovation*)	12 (35.3 %)	11 (32.4 %)	11 (32.4 %)
Investments on innovation are necessary to exit the crisis (*invest on innovation*)	15 (44.1 %)	11 (32.4 %)	8 (23.5 %)
Investments are necessary to exit the crisis *(Investments)*	19 (55.9 %)	6 (17.6 %)	9 (26.5 %)

Note: 3-point Likert scale ranges from 1 (min) to 3 (max)

Additionally, the weak innovation culture of Greek firms is partly responsible for delaying the much-needed investment in technology and knowledge transfer, and this is reflected in the lower-than-EU-average number of SMEs and employees in high-tech manufacturing. These trends have held back the development of the SME manufacturing sector, with investment in knowledge and technology-intensive activities insufficient to trigger much-needed growth in competitiveness (EU, 2013)

One way Anova has been employed to identify if there are differences between the aforementioned perceptions and believes and the strategy that the owners of the SMEs claim that they will choose for the next years. The results of the analysis are presented in table 8 and table 9.

Table 8: One way ANOVAanalysis Results

		Sum of Squares	df	Mean Square	F	Sig.
Investments	Between Groups	8.214	4	2.054	3.535	**.018**
	Within Groups	16.845	29	.581		
	Total	25.059	33			
Economy's future	Between Groups	2.724	4	.681	1.096	.377
	Within Groups	18.011	29	.621		
	Total	20.735	33			
Firm's future	Between Groups	1.667	4	.417	.398	.808
	Within Groups	30.333	29	1.046		
	Total	32.000	33			
Firm's turnover	Between Groups	.637	4	.159	.447	.774
	Within Groups	10.333	29	.356		
	Total	10.971	33			
Innovation	Between Groups	3.686	4	.922	1.386	.263
	Within Groups	19.284	29	.665		
	Total	22.971	33			
Invest on innovation	Between Groups	1.714	4	.429	.626	.648
	Within Groups	19.845	29	.684		
	Total	21.559	33			

Even if, many perceptions and believes were examined, only one characteristic appears to be statistically different among the different strategic orientations. In particular, the answers in the statement "Investments are necessary to exit the crisis" are the only differentiating factor for the owners of the SME in order to choose their strategy. According to table 8 SMEs that are willing to expand in new market have assign a higher rank in this question (mean 2.5, max 3). Thus, SMEs that have chosen to expand in new markets consider that investments, in general are necessary to exit the crisis. The other perceptions and believes do not provide any statistically significant information that differentiates the participating enterprises according to the strategy orientation they have chosen.

Table 9: Descriptive Statistics for the AVONA analysis

		N	Mean	Std. Deviation	Std. Error
Investments are necessary to exit the crisis *(Investments)*	Defensive strategies	8	1.13	.354	.125
	Cost Leadership	6	1.83	.983	.401
	Collaboration	3	1.00	.000	.000
	Nothing	11	1.52	.982	.296
	Growth (Invest)	6	2.50	.548	.224
	Total	34	1.71	.871	.149

4. Conclusions

Small and medium sized agro-enterprises can play a critical role in creating rural income and employment opportunities, through the demand they create for raw material supplies, such as milk. In addition, small and medium sized enterprises are responsible for generating a significant share of products and services in the agricultural sector. Moreover they can create income and employment in rural areas where the opportunities for employment are in shortage. In order to assure the aforementioned economic and social benefits of the SMEs it is necessary for SMEs to be competitive and improve their financial performance. Financial performance is direct linked to the strategy orientation of the SMEs. Thus, it is useful to illustrate how SMEs define and choose an appropriate strategy in order to achieve their goals. This issue is quite important since there are major constraints that must be addressed in order to realize the full developmental potential of SMEs. These constraints are getting more severe, as the economic crisis in Greece is still undergoing.

According to the results of this study the major problems faced by the Greek Dairy SMEs participating in this survey are the liquidity problems along with tax and social security payments in combination with the services provided to them by these public organizations. Most probably, the amount of the payments to these organizations makes the managers-owners of the SMEs to demand higher quality services. The second important finding of this study is that the efforts made by the participating SMEs to reduce production and labour cost have not a direct impact on the SME profitability. In our sample only one out of three SMEs' achieved to improve profitability through the labour cost reduction. The third finding of this survey concerns the way that SMEs choose their strategic orientation. It must be noted that the one out of three SMEs choose as their strategy to wait, without any reaction in the whole economic situation. In this study many perceptions and believes of the SMEs' managers - owners were examined to identify which one determines their strategic orientation. The results indicate that only those who have chosen to expand in new markets consider that investments are a necessary tactic to exit the economic crisis. The other perceptions and believes do not provide any statistically significant information.

Finally, it must be noted that our results are based on a dataset from SMEs in central Greece and are influenced by the weights attached to these SMEs and the goals of those SMEs. This may somewhat limit the relevance of the results to SMEs in other regions in Greece or Europe. Further research could include a wider range of factors that influence SMEs' managers' perceptions and their strategic orientation choices, for example economic, social and attitudinal factors.

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