

# 7 October 2011: CEC Conference on Managers in an economy under crisis



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Firm supporters of the European construction process and well aware of the danger of the Greek crisis spreading to Europe, the CEC wanted to see for itself to understand and put into perspective the Greek crisis in its European context.

## The Greek crisis

Greece faces a serious problem of governance. National political parties accuse each other of the mismanagement that led the country to the brink. In practice, they are struggling to introduce comprehensive structural reforms needed to stabilize the economy. Added to this, clear difficulties in communicating with the public were mentioned several times during our discussions. The credibility of the messages from politicians is challenged at its core. To restore hope and instil the desire for change, the trust of citizens must first be gained.

”Bring changes in the institutions, and cultural change in attitudes and mentalities will follow” said Michael Pagidas, President of the Greek Association of Chief Executives Officers (ACEO). Greece suffers from structural problems: poor public

administration, tax evasion, corruption, an expensive pension system, and especially the all-presence of the state responsible for the rigidity of the markets. The government and the Troika have so far failed to take adequate measures to secure the way out of the crisis. The proposed measures have mainly focused on deficit reduction involving austerity policies. In the long term, this strategy is not viable. In 2010 work productivity has decreased by 6% in Greece and investment spending fell by about 18% over the second semester of 2011 compared to previous year figures. The growth factor, essential for economic recovery, was completely lost. Revenue forecasts were too high, especially as the Greek government gave priority to tax increases on spending cuts. For 2011 a 7.6% deficit target was foreseen, but the latest estimates announce 8.5%.

Another danger threatens the Greek economy: the banking crisis. For years, banks have provided low cost loans to Greece, although these financial operations were risky. Creditors were necessarily aware of the reality behind the overstated figures given.

Nonetheless, most speakers stressed the great potential of Greece: plentiful natural energy resources (sun, wind, and water), untapped mineral resources (gold and other metals), a competitive advantage in areas such as tourism, energy and agriculture.

Greek managers have ideas for solutions. Why not listen to them?

- There must be a shift from the consumption model to a production model. Greece has a competitiveness problem to solve. But it needs to attract investors to address this. Removing unnecessary regulations is urgent for the markets to open up. The privatization process should also be accelerated.
- Structural reforms must be carried out. There is a need for consolidating public finances and reforming the tax system. Institutional bodies and public administrations can be reorganized with the introduction of assessment programs encouraging performance and efficiency. The potential of the regions can still be exploited through a decentralization process.
- The trend among the younger Greek generation is to try to build their future abroad. In the global race for talent, Greece should consider strategies to attract its young graduates and encourage them to get involved in local development projects.

The message is clear: Greece needs to change. But the current crisis the country is going through has grown in correlation with the global turmoil that affected the whole European economy. Greece can not be blamed for all the bad things in Europe. One significant figure was recalled at the conference: Greece represents less than 2% of the European debt.

## The crisis is also European

Several speakers referred to the project of the founding fathers of Europe. After the Second World War they sought to unify the countries of Europe around common interests to

The current coordination system has shown its flaws and especially its lack of responsiveness in critical situations. And yet it is too late to turn back. Particularly with regard to the euro area, the cost of a return to national currencies would be even greater than the bail-out cost.



avoid divisions and conflicts. Today this project has lost its strength. The participants at the conference regret that the countries of Europe lost the bond of solidarity that had first brought them together.

The causes of the crisis in Europe have more distant origins and issues are more complex than the problems affecting Greece. Several speakers recalled that a trigger to the European crisis was the failure of the Stability and Growth Pact. From the moment when France and Germany did not comply with this Agreement, the financial balance of Europe was challenged.

One of the strong messages of the conference is to rethink the governance of the European Union. The markets are now so powerful that they threaten the stability of several European countries. It is time to impose regulations at European level and to guarantee the stability of the Union. But for this, the Union's Member States must be prepared to have a single head that establishes laws and sanctions with one voice.

## The responsibility of managers

Managers can set an example and inspire. They ensure daily crisis management and know how to make quick decisions in response to unexpected events. In the present context, they must support the society and contribute to demand the necessary changes to governments, to politicians and to European decision makers.

Managers have an overview of the needs on the labour market and the economy. They anticipate change and can forecast future lack of skills and investment. Synergies could be established between managers and the various decision makers to better prepare strategies to boost the European economy.

The culture of management is evolving across Europe: it is widening to pluralism in management styles. The CEC members are observing the development of a new ethic closer to entrepreneurship, requiring more innovation and rapid adjustment to change. In this perspective, the potential of the younger generation should be better exploited.

Two organizations of managers, member of CEC are active in Greece: HMA and ACEO. These organizations have solutions to offer to find a way out of the crisis in Greece. It is unfortunate that Greeks decision-makers and politicians are not open to listen to their messages.

## The CEC contribution

Synthesize, objectify the issues, share responsibilities between country-level and European-level and send a clear message at the European Social Summit on 17 October 2011 (see the following article).

