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*Perceived environmental uncertainty and network development: the case of Greek SMEs*

DREKOLIAS, Theodoros

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**Perceived Environmental Uncertainty and Network Development: The Case  
of Greek SMEs**

**Theodoros Drekolias**

**A thesis submitted in partial fulfilment of the requirements of Sheffield  
Hallam University for the degree of Doctor of Philosophy**

**December 2020**

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Name	Theodoros Drekolias
Date	December 2020
Award	PhD
Faculty	International Business
Director(s) of Studies	Dr Martin Owens

## **Abstract**

Networks appear to be vital living organisms which change, grow and develop through time; hence networks are shaped, dissolved and reformed on a constant base. Although an extensive body of research has focused on the outcomes and the antecedents of the inter-organizational networks formation, less attention has been paid to understand why and how these networks evolve through time, especially in the context of small-medium sized firms. This thesis aims to address this research gap and to broaden the field of the SMEs' inter – organizational network development by considering the perceived environmental uncertainty (PEU) as an exogenous, deriving from outside the network, triggering factor. In that respect, this thesis explores if and how the three types of PEU, stemming from several domains of the external environment may trigger the development of networks in terms of their structural and interactional dimensions.

To achieve this aim, a single – embedded case study of Greek tourism industry, applying the philosophical prism of critical realism, has been undertaken to seek causal explanations in the relationship between PEU and the SMEs' network development. The findings demonstrated that PEU, particularly state and to a lesser extent response PEU, prompted the SMEs to develop their networks in several ways related to their structure, the strength of the relationships and the exchanging content among partners.

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## **Chapter One: Introduction**

### **1.1. Background to the research**

Internationalization is a phenomenon that the last three decades has attracted the interest of many scholars and has been examined from different perspectives including strategic management, marketing, international management, small business management and entrepreneurship (Ji et al., 2019; Leppäaho et al., 2018; Lu and Beamish, 2001; Ruzzier et al., 2006). Traditionally, the research on internationalization has extensively focused on the activities of large multinational enterprises (MNEs) by mainly applying the transaction cost model, the eclectic paradigm, and the monopolistic advantage theory (Dabić et al., 2019; McAuley, 2010; Rahman et al., 2017; Ribau et al., 2018a). However, the global marketplace is not occupied exclusively by MNEs but also by the small – medium enterprises (SMEs) which indeed are increasingly active in the international arena and consequently play a substantial role in international business during the last decades (Bembom and Schwens, 2018; Rialp et al., 2014; Ribau et al., 2018a; 2018b). Based on the OECD online glossary (2005), “Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees”. It is important to note that these types of businesses (micro, small and medium) are considered to be the backbone of the economies of most countries. In fact, the SMEs account for the vast majority of businesses internationally and constitute the predominant form of enterprise in most OECD countries; more specifically, according to the Eurostat (2018), the SMEs represent 99% of all enterprises in the EU region and according to OECD (2017), 99% of the businesses in the OECD area are classified in this small – medium category of enterprises. Their contribution to both developed and developing economies is substantial since they are responsible for economic growth, innovation and provide a major source of employment (Agostini and Nosella, 2019; Bužavaitė and Korsakienė, 2018; Coviello and McAuley, 1999; OECD, 2013; 2017). Also, as stated in the European Commission’s annual report (SBA, 2018) concerning SMEs, they have played a very important role to the recovery and subsequent growth of the EU – 28 economies after the economic and financial crisis of 2007 – 08 and onwards. In fact, given the benefits of cross – border venturing (whether through imports, exports, or foreign direct investment) and the capacity of SMEs to drive economic development at national and global level, many countries have taken measures to foster and support the SMEs

internationalization endeavour and their presence to the contemporary global markets (OECD, 2013; 2018a; Ruzzier et al., 2006; Kamakura et al., 2012).

However, the task of internationalization is not easy for the SMEs since they have to confront the dynamic conditions of the rapidly evolving external environment within which they operate (Magnani and Zucchella, 2019; Vahlne et al., 2017). These dynamic conditions refer to the macro and micro components of the environment (e.g. governmental and competitor environmental domains respectively) which are considered to be complex and constantly change (Miller, 1992; Regan, 2012). For example, relatively recently, the UK firms, including the UK SMEs, had to confront “Brexit” and adjust to the new conditions of trade (Brown et al., 2019). Another example of the changing environment can be viewed in Greece, where the SMEs, during the period of the deep economic crisis, faced multiple unpredictable changes in several environmental domains, such as the changes in the governmental domain and more specifically the fiscal and monetary reforms (BBC News, 2015b; Deloitte, 2019; The Guardian, 2015). In such a complex setting, the SMEs struggle with high and sometimes irreducible environmental uncertainty which is considered to be a major determinant in many managerial decisions and evaluations. According to empirical evidence, environmental uncertainty affects the design of management practices, decision making and performance (Arieftiara et al., 2017; Magnani and Zucchella, 2019; Lueg and Borisov, 2014; Samsami et al., 2015). This thesis reflects on Milliken’s (1987, p. 136) conceptualization of perceived environmental uncertainty (PEU) according to which uncertainty is defined as “an individual’s perceived inability to predict something accurately”. In order to cope with uncertainty, firms develop and draw on cooperative strategies such as long-term contractual agreements with suppliers or buyers, alliances, joint ventures, participation in consortia (Bembom and Schwens, 2018; Cavusgil and Knight, 2015; Ebers, 2015; Gulati and Gargiulo, 1999; Magnani and Zucchella, 2019; Narooz and Child, 2017).

Consequently, this thesis concentrates on the inter – organizational networks of SMEs and has a twofold purpose; firstly to investigate whether the SMEs’ inter-organizational networks develop as a consequence of perceived environmental uncertainty and secondly to identify what are the potential changes on the structural and interactional dimensions of networks caused by this factor.

## **SME internationalization research**

Due to the aforementioned facts pertaining the SMEs, scholars' attention shifted from the large established firms to the SMEs; this shift has led to a substantial empirical and conceptual literature examining small firm internationalization and export related issues (Buckley, 1989; Johanson and Vahlne, 1990; Andersen, 1993; Calof and Beamish, 1995; Leonidou and Katsikeas, 1996; Coviello and McAuley, 1999; Ribau et al., 2018a; 2018b). For example, researchers have investigated the processes and patterns that explain how small firms increase their international activities over time (Andersen, 1993; Leonidou and Katsikeas, 1996). Scholars studying this particular aspect, view internationalization as a sequential procedure (Johanson and Vahlne, 1990) and an evolutionary activity (Calof and Beamish, 1995).

Another way to analyse the internationalization of the firm within this process – framework is to employ the network as the starting point and view firms as embedded actors in business networks. The current study focuses on the inter – organizational networks which are considered to play a significant role in the internationalization process of the SMEs since they provide to their actors several benefits and eventually help them to overcome several obstacles such as limited resources, the liabilities of newness and foreignness, risk and uncertainty; this perspective has been explored intensively in the past (Coviello, 2006; Musteen et al., 2014; Leppäaho et al., 2018; Narooz and Child, 2017; Shaw, 2006; Söderqvist and Chetty, 2013; Stoian et al. 2017).

The inter – organizational networks, within the context of SMEs, have received the interest of many scholars who have given more emphasis on their outcomes and their antecedents (Agostini and Nosella, 2019; Bužavaitė and Korsakienė, 2018; Street and Cameron, 2007). Consequently, there is a large body in the literature investigating why and how SMEs form inter – organizational networks and select their partners and what are the benefits/limitations that can accrue from these networks (Agostini and Nosella, 2019; Francioni et al. 2017; Stoian et al. 2017; Tolstoy, 2010a; Zahoor et al., 2020). These two main streams within the SME literature are consistent with the Borgatti and Foster's (2003) and Oliver and Ebers' (1998) observations, about the dominant concepts in the general inter –

organizational network literature, according to which the bulk research of network literature has centred on the antecedents and outcomes of networks.

Despite the increasing research volume on SMEs inter – organizational networks, several aspects of theirs, appear to be under researched and neglected by scholars. Specifically, the dynamics of SMEs’ networks have received little attention in the literature and therefore little is known about their development, for example in terms of the dissolution/expansion of ties, the network content and the strength of relationships (Bembom and Schwens, 2018; Coviello, 2006; Jack et al., 2010; Kaartemo et al., 2019). Network development refers to the changes that occur in the network architecture which is comprised by three primitives, namely the nodes (actors), the ties which connect the nodes and the structure which results from these connections (Ahuja et al., 2012). According to Hite and Hesterly (2001, p. 278), the network evolution is defined as “the process by which firms strategically adapt and align their networks to gain the resources they need to ensure successful emergence and early growth”.

In the literature, there are a few studies that investigate the network development of small enterprises (Kontinen and Ojala, 2011; 2012; Söderqvist and Chetty, 2013; Wegner et al., 2018). Other exemptions constitute Coviello’s (2006) study which investigates the network dynamics of international new ventures and Sepulveda and Gabrielsson’s (2013) study which investigates the network development of Born – global firms. But still, these studies have particular limitations since they examine the phenomenon from the life – cycle perspective and neglect the exogenous factors (e.g. environmental uncertainty) that may affect network development. Consequently, a gap exist in our understanding about why and how (in what ways) the structural and interactional dimensions of the SMEs’ inter – organizational networks change and develop over time (Hoang and Antoncic, 2003; Hoang and Yi, 2015; Kaartemo et al., 2019; Parkhe et al. 2006; Jack et al., 2008; Jack et al., 2010; Ozcan, 2018).

Based on the evolutionary process theory of Van de Ven and Poole (1995), the macro-environmental – pressures are likely to lead to the development of networks. In support, Koka et al.’s (2006) theoretical paper offers several important propositions on how exogenous factors, specifically the environmental uncertainty and munificence affect the

inter-organizational network development of firms (the study focuses exclusively on two “evolutionary primitives of tie creation and tie deletion”, p. 726). Indeed, environmental uncertainty has long been viewed as a trigger of the formation of firm’s inter-organizational relationships; organizations in order to reduce uncertainty adopt cooperative strategies including long-term contractual agreements with suppliers or buyers, alliances, joint ventures, participation in consortia (Barringer and Harrison, 2000; Bembom and Schwens, 2018; Miller, 1992; Pfeffer and Salancik, 1978). However, environmental uncertainty and particularly perceived environmental uncertainty (Milliken, 1987) has not been examined thoroughly in relation to inter – organizational network development (Jack et al., 2008; Kaartemo et al., 2019; Parkhe et al. 2006; Ozcan, 2018; Wegner et al., 2018).

Drawing on the network internationalization theory (Johanson and Vahlne, 1990) and the evolutionary process perspective (Van de Ven and Poole, 1995), this thesis aims to contribute to our understanding of how SMEs develop their domestic and international inter – organizational networks due to environmental uncertainty. This will help to improve our understanding about the exogenous factors influencing the development of inter – organizational networks of SMEs and will also provide a more comprehensive picture of the network outcomes and how the potential benefits are distributed among participants since these depend on the network architecture and its development over time.

This research was applied in the Greek tourism sector which is predominantly comprised by SMEs. The following sections will provide several details about the tourism industry and SMEs in general and Greece.

## **1.2. Small and medium enterprises (SMEs)**

### **Definition of SMEs**

To date, there is no universal consensus on a single definition about SMEs and therefore it appears that this category of enterprise has several variations across countries. However, there are particular key variables according to which governments define SMEs; these are the independence and legal status, the sector, the number of employees, the level of turnover, and the size of balance sheet totals (ACCA, 2010; OECD, 2010; Ribau et al., 2018a). Based on the OECD online glossary (2005), “Small and medium-sized enterprises (SMEs) are

non-subsidiary, independent firms which employ fewer than a given number of employees”. The number of employees differs across countries and the most common upper limit is 250 employees. This limit has been employed on the SME definition of the European Commission. For this reason, alongside the fact that the empirical data of this research have been extracted by tourism SMEs in Greece which is a state – member of EU, this study has adopted the European Commission definition of SMEs and particularly the employment definition. The official European Commission (2003) definition is as follows:

“The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million”. This particular definition takes into consideration three key variables, the number of employees, the level of turnover and the size of balance sheets. Also, within the SMEs category, enterprises can be further broken down to the sub – categories of micro, small and medium. The table below contains a more analytical view of the SMEs category:

**Table 1: Definition of SMEs**

<u>Company category</u>	<u>Employees</u>	<u>Turnover</u>	<u>Balance sheet total</u>
Micro	<10	<2 million	<2 million
Small	<50	<10 million	<10 million
Medium	<250	<50 million	<43 million

Source: taken from the Annual report on European SMEs – European Commission 2018

### **SMEs in Greece**

According to the European Commission’s Small Business Act (SBA, 2017), SMEs – in particular micro enterprises – are of a great importance to the Greek non – financial business economy. SMEs constitute the vast majority of businesses within this domain which concerns the sectors of industry, construction, trade, and services; they account for 99.9% of the total number of enterprises. Overall, Greek SMEs generate nearly 64% of value added and also employ nearly 86% of the corporate workforce; these figures exceed the respective EU averages of 57% and 66% (GSEVEE, 2014; PwC, 2015; SBA, 2018). The following table illustrates a more detailed overview of the contribution of Greek SMEs in comparison to large firms in terms of employment and value added:



**Table 2: SMEs basic figures in Greece**

Class size	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	Billion €	Share
Micro	678 816	96.20%	1 288 988	57.30%	17	34.30%
Small	23 829	3.40%	412 490	18.30%	9.5	19.20%
Medium size	2 684	0.40%	254 639	11.30%	9.8	19.70%
<b>SMEs</b>	<b>705 329</b>	<b>99.90%</b>	<b>1 956 117</b>	<b>86.90%</b>	<b>36.3</b>	<b>73.20%</b>
Large	388	0.10%	294 094	13.10%	13.3	26.80%
Total	705 717	100.00%	2 250 211	100.00%	49.6	100.00%

Source: taken from SBA Fact sheet – European Commission – Europa 2018

### 1.3. Tourism sector

Tourism is considered to be a very significant economic activity in most countries throughout the world. According to the United Nations World Tourism Organization (UNWTO, 2008) tourism can be defined as “a social, cultural and economic phenomenon, which entails the movement of people to countries or places outside their usual environment for personal, business, and leisure or professional purposes. These people are called visitors (which are tourists, excursionists, residents, and non – residents) and tourism has to do with their activities some of which implies their expenditure.” The WTTC (World Travel and Tourism Council) uses a slightly broader title which also includes the term “travel” and thusly refers to this sector as “Travel and Tourism”. This study will adopt the term of UNWTO (2008), “Tourism sector”.

Tourism is the third – largest sector in international trade and has several direct as well as indirect and induced economic impacts. This sector is well recognised as a key contributor to the economic development of many countries worldwide since it creates jobs, drives exports and prosperity (OECD, 2018b; UNWTO, 2018; WT&TC, 2019a). Specifically, the total contribution of Tourism to global GDP and total employment is 10,4% and 10% respectively, namely, in 2018, it accounted for USD 8,811.0bn and supported 319m jobs worldwide (UNWTO, 2018; WT&TC, 2019a). It is comprised of the following industries:

- Accommodation services

- Food and beverage services
- Retail trade
- Transportation services
- Cultural, sports and recreational services

Over the last decades, the tourism sector has noted a remarkable rapid growth and has become one of the fastest growing economic sectors worldwide – specifically, the sector’s growth reach to 3.9% in 2018. Also, the current trends indicate that the sector is expected to continue its rapid growth in the following decades (ITC, 2015; OECD, 2018b; WT&TC, 2019a). Also, according to the UNWTO’s (2011) long – term prediction, the number of international visitors is expected to increase by 3.3% per year and will reach 1.8 billion by 2030.

### **Greek tourism sector**

Tourism is one of the biggest sectors of Greece and is regarded as one of the central pillars of the Greek economy. The Greek tourism sector has noted a steady growth over the last 10 years, namely during the period of the deep Greek financial crisis, and has contributed to the stabilization of the economy and to its return to growth (OECD, 2018b; The Economist, 2019; PwC, 2018). A small indication of the recent growth of the sector has been reported in a research of WT&TC (2019b) according to which the 2018 has been another great year for Greek tourism sector since it grew at a remarkable pace of 6.9% and its total contribution to the GDP rose from 19.7% in 2017 to 20.6%. Also, the same research reports that one quarter of the total workforce of Greece – approximately 980,000 people – has being employed in Tourism sector and that this figure has been projected to surpass one million in 2019. SMEs which constitute the majority of businesses within the sector have played a very important role in the sector’s expansion; according to Mr Retsos, the vice president of SETE (the Association of Greek Tourism enterprises) “SMEs are the businesses that will totally support the strategic plan for Greek tourism” (GTP, 2014).

The diverse Greek tourism product is offered mainly by SMEs whose activities depend to a great extent to the domestic and international inter – organizational networks. For example, the inter – organizational network of Greek hotels may include collaborations with a number of suppliers, such as international tour operators and tourism agencies, wholesalers

of grocery products, financial institutions, management and insurance companies and also other hotels. Despite the aforementioned growth, the Greek tourism SMEs have many challenges to encounter in order to survive. These problems have mainly exogenous causes and derive from several domains of the SMEs' external business environment (e.g. government – domain and/or socio/cultural – domain). Indeed, the Greek economic crisis that started in 2008 alongside the sudden changes that have occurred globally in recent years at macro – economic, geopolitical and socio/cultural levels have affected adversely the operation of Greek tourism SMEs and have increased dramatically the sense of uncertainty among tourism entrepreneurs (Papatheodorou and Arvanitis, 2014; Pappas and Papatheodorou, 2017; SETE, 2017; The Economist, 2019). For instance, the economic crisis – among other – had devastating effects on the welfare of Greek citizens, a fact that decreased significantly the number of domestic tourists and inevitably affected adversely the Greek tourism enterprises. Another incident that had a negative impact, by reducing the inbound tourism, on tourism enterprises of the Aegean islands was the immigration – refugee crisis that was initiated in 2015 and remains still a hot issue for the government (Papatheodorou and Arvanitis, 2014; Pappas and Papatheodorou, 2017).

Within this context of recession and uncertainty of the Greek economy, SETE, as one of the official social partners to the Greek government in policy-making, made in 2013 a series of proposals in order to create a national strategy to particularly enhance small and medium-sized tourism enterprises in Greece. Those proposals regarding the development of SMEs have been based on the application of policies to infrastructure – procedures, development law and transport and aimed to render Tourism as the leading sector of the rebirth of Greece's economy (GSEVEE, 2014; GTP, 2013).

#### **1.4. Aims of this Research**

The aims of this research is to explore “if” and explain “how” perceived environmental uncertainty triggers the development of inter – organizational networks of SMEs operating in the Greek tourism sector.

The research questions of this study are the following:

##### **1. Does perceived environmental uncertainty (PEU) trigger the inter-organizational network development of SMEs?**

This question aims to capture if PEU, which is caused by a variety of sudden, unpredictable environmental changes, exogenous to the network, may function as driver of network development (Kartemo et al., 2019; Koka et al., 2006). Specifically, this question, taking into consideration Milliken’s (1987) PEU framework, aims to identify if any of the three uncertainty types, namely state, effect and response uncertainty, may influence the network development of the Greek tourism SMEs. The association of PEU and network change patterns represents a promising step in developing our understanding in the implications of particular environmental contexts to the performance of SMEs. Also, the examination of all three constructs of PEU will provide a comprehensive picture of the uncertainty concept and will also help to detect what type of information and other crucial resources are in paucity for the SMEs (McKelvie et al., 2011; Regan, 2012).

##### **2. Which domain of the SMEs external environment constitutes a source for PEU and what role might play in the network development?**

This question aims to examine the PEU in relation to the components of the external environment (e.g. political, socio – cultural). The PEU can arise from any of the domains of the external environment, either macro or micro and therefore, their examination is necessary and essential (Milliken, 1987; Samsami et al., 2015). In that way, this question will help to better understand which the main and secondary sources of PEU are and how these may influence network development.

### **3. What are the potential changes on the patterns (dimensions) of the network caused by perceived environmental uncertainty?**

This question aims to identify the changes that may be caused to the dimensions of the network's architecture due to any of the three types of PEU. These changes may be structural and/or interactional. In other words, due to PEU, the size of the network might expand or even shrink (Bembom and Schwens, 2018; Coviello, 2006; Hernandez and Menon, 2019; Koka et al., 2006). Another significant aspect of the networks which can be changed – developed is the strength of ties that connect the nodes (firms); thus, some of the relationships between the SMEs and their partners may be reinforced and become stronger or the opposite, become weaker (Granovetter, 1973; Sepulveda and Gabrielsson, 2013; Söderqvist and Chetty, 2013). Further to the developments on these dimensions, the network can be developed in terms of the content exchanged between partners (Coviello, 2006; Musteen et al., 2014; Sepulveda and Gabrielsson, 2013).

#### **1.5. Research approach**

The research examines the inter – organizational networks through the critical realist perspective, aiming to capture their complexity over time, i.e. to identify the structures, processes and mechanisms that may explain their evolvement in a specific context and under the conditions of perceived environmental uncertainty (Morais, 2011; Ryan et al., 2012). For that reason, this thesis utilised the critical realist (single – embedded) case study strategy in order to delve deeply and holistically into the context within which the SMEs and their networks operate and therefore to provide a detailed causal explanation between the perceived environmental uncertainty and networks' development (Easton, 2010; Yin, 2009). Moreover, the single case study is considered to be suitable for the investigation of complex phenomena, such as the inter – organizational networks and their development which includes complicated network processes (Easton, 2010; Morais, 2011). This particular strategy was applied in the Greek tourism sector and involved multiple units of observation and analysis. Before ending up in the tourism sector, a pilot study in shipping industry had been undertaken; this particular industry and the related participating SMEs were identified through the application of several purposeful sampling techniques, such as criterion sampling (Patton, 2014). The pilot study highlighted several deficiencies in the sampling

techniques and also to the interview processes which were improved and finally were applied to the Greek tourism industry which based on the aforementioned facts (see section 3.5) fulfils the required criteria and constitutes a very interesting case for the examination of the link between perceived environmental uncertainty and SMEs' network development.

In total, during the data collection process, thirty four in depth, semi – structured interviews were conducted with key informants from Greek tourism industry; thirty interviews were conducted with the senior – middle management of tourism SMEs and four interviews were conducted with industry experts (managers of tourism institutions). All participants had a direct involvement in some aspect of the inter – organizational networks and most of them (namely owners and general directors of tourism SMEs) could affect their development with their decisions.

Also, this thesis has set particular boundaries concerning the applied methodology and the sample scope. More specifically, this thesis used a qualitative methodology with semi – structured interviews in order the researcher to delve deep and thus better grasp and reveal the participants' perceptions and experiences about a subject which has been neglected in the literature, the PEU as a triggering factor for the SMEs' network development. In that respect, the researcher avoided the use of a quantitative methodology and particularly, a survey since this method could not explain adequately in its context the causal relationship between PEU and network development. Also, the researcher, during the application of the key – informant sampling, focused on the senior – middle managers of the intended SMEs and excluded the rest of the staff of these companies. This happened because the aim of the study was to gain insights from key decision makers with great expertise and long experience who are likely to be involved in the network development. Another delimitation of the study is the timeframe of the data collection; the interviews were conducted within a specific time – period in order the researcher to be able to analyse the collected data and prepare the respective chapters of the thesis. Also, the examination of PEU, in relation to the several environmental domains, was conducted at a national and not at regional level which could infer different conclusions.

## **1.6. Structure of the Thesis**

The following chapters comprise the remainder of this thesis:

Chapter two reviews the main concepts that have been employed to investigate the potential linkage between perceived environmental uncertainty (PEU) and the development of inter – organizational networks of SMEs. Initially, the first section of the chapter reviews the mainstreams of the SMEs internationalization literature, followed by a critical review of the network perspective which leads to the identification of the research gap, i.e. the under – researched aspects of network development. Following, the second main section reviews the literature of inter – organizational networks (e.g. the areas that have attracted much attention by scholars) and in particular explores in more depth the identified research gap by displaying the potential link between PEU and the development of structural and interactional dimensions of networks. Finally, the last section reviews the concept of PEU as set by Milliken (1987), more specifically, the development of the concept, its possible sources and the distinction from archival environmental uncertainty.

Chapter three provides details regarding the single case study strategy which has been employed in the research. The chapter demonstrates how the use of this particular strategy, through the prism of critical realism paradigm, can provide a causal explanation between PEU and the network development of SMEs within a particular context. It sets out the causal mechanisms of the SMEs which may be triggered by PEU and consequently cause the development of their inter – organizational networks at several levels.

Chapter four provides the analysis on the empirical findings of the single case study. This chapter comprises three main sections, starting with the examination of the SMEs' external business environment, continues with the relation of the environmental domains with the three types of PEU and concludes with the relationship between PEU and network development. In this relationship, PEU is viewed as an exogenous factor which triggers certain developments in terms of structure, nature of relationships and exchanged content on the SMEs' collaborations of their domestic and international networks.

Chapter five presents the discussion of the key findings that have accrued from the previous chapter. In this discussion, the key findings have been interpreted in light of what has been already found by other studies investigating the network development within the context of

small firms. Several interesting, new findings have emerged from this interpretation that shed more light in the exploration – explanation of PEU as exogenous triggering factor of network development. It also advances the discussion on the development patterns in the architecture dimensions of SMEs' networks.

Chapter six addresses to each of the research objectives based on the key findings associated with the three differential types of PEU, their sources, their influential role on network development of SMEs and finally the developmental patterns, either structural or interactional, of the inter – organizational networks. Also, theoretical, empirical, political and managerial implications are explored, demonstrating how this thesis addresses the identified research gap in SMEs' network dynamics. Following, several limitations with the research approach are outlined and the chapter concludes with a number of suggestions to scholars to consider in future research of SMEs' network dynamics.



## **Chapter Two: Literature review**

### **2. Introduction**

This chapter introduces the main concepts that have been employed to investigate the potential linkage between perceived environmental uncertainty and the development of inter – organizational networks of SMEs. The concept of inter – organizational networks constitutes a very significant aspect of the SME internationalization literature stream. In order to achieve this, a particular procedure has been followed and included the exploration and review of the current literature in terms of the perceptual environmental uncertainty, the inter – organizational networks and the internationalization of firms; of course, this procedure did also occur within the framework of the SME literature. Specifically, the current study could be placed within the contexts of international and small business management focusing mainly on key elements of network theory, such as network management of the internationalised tourism SMEs.

This thesis will review the internationalization network perspective (Johanson and Mattsson, 1988; Johanson and Vahlne, 2009), in particular the concept of network development within the general management context and its application on the inter – organizational networks of Greek tourism SMEs. This chapter is divided in three main sections, these are: “SMEs’ internationalization”, “Networks” and “Environmental uncertainty”. This chapter will concentrate on two basic concepts, the development of SMEs inter – organizational networks and their linkage with perceived environmental uncertainty (PEU). At the start, the review will focus on what the majority of scholars have been investigating over the years in terms of the SMEs internationalization, the inter – organizational networks and gradually will end to the research gap, namely the lack of studies in regards to the SMEs’ inter – organizational network development.

Thus, the sections 2.1, 2.2 and 2.3 will provide a review on the SMEs’ internationalization and will discuss the main streams of this particular literature. Following, the section 2.4 will refer to the concept of network; this section will include the basic assertions of network theory, an analytical distinction among the three main levels of networks analysis (inter – personal, inter – organization and inter – unit), and a review of the main streams of inter – organizational literature, namely the outcomes and antecedents of inter – organizational

networks. Next, the section 2.5 will refer to the stream of inter – organizational network development which has been neglected in the literature. In particular, the sections 2.5.1 and 2.5.2 will refer to the endogenous and exogenous antecedents that trigger network development. At this point there will be a clear connection between the exogenous factor of environmental uncertainty and network development. Finally, the section 2.6 will refer to the concept of environmental uncertainty clarifying the distinction between the two types of uncertainty and finally will present the basic conceptualization of perceived environmental uncertainty.

## **2.1. SMEs Internationalization**

Internationalization is a topic that has been studied intensively by scholars in recent decades. The concept has been examined from different perspectives including strategic management, marketing, international management, small business management and entrepreneurship (Dabić et al., 2019; Kamakura et al., 2012; Ji et al., 2019; Leppäaho, et al., 2018; Magnani and Zucchella, 2019; Rahman et al., 2017; Zahoor et al., 2020). Internationalization is often defined as the firms' geographical expansion of economic activities over a national country's borders and might take several forms; these are the direct and indirect exports (e.g. sales of goods via a third domestic party that exports), the non-equity contractual agreements, the foreign direct investment (FDI) and other forms of equity agreements (Kamakura et al., 2012; Lu and Beamish, 2001; Moreira et al., 2018; Rahman et al., 2017; Ribau et al., 2018a; Ruzzier et al, 2006).

The ever increasing global competition, the falling government-imposed barriers to international trade, (e.g. the North American Free Trade Agreement which was established in 1994 in order to promote trade between the U.S., Canada, and Mexico), accompanied with the improved international communication and information networks prompt substantially the SMEs to enter and compete in the international markets (Dabić et al., 2019; Kofler and Marcher, 2018; Lu and Beamish, 2001; Wolff and Pett, 2000). In fact, despite the several shortcomings of SMEs, such as the liabilities of smallness and foreignness and the obstacles they imply, the internationalization pace of SMEs has been accelerated significantly during recent decades (Coviello, 2006; Bembom and Schwens, 2018; Leppäaho et al., 2018; Rahman et al., 2017). Nowadays, SMEs are regarded as key

contributors to the economic growth, prosperity and job creation in both the OECD and non – OECD countries; beyond that, they are regarded as increasingly active players in the contemporary international scene who have the potential to provide a more inclusive internationalization (Coviello and McAuley, 1999; De Maeseneire and Claeys, 2012; Hessels and Terjesen, 2010; OECD, 2013; OECD, 2017; Olejnik, 2014; Rahman et al., 2017; Ribau et al., 2018a; Reynolds, 1997). In OECD countries, about 25% of manufacturing SMEs compete internationally and about one fifth of these firms derive a significant share (10-40%) of their turnover from international activities. Also, SMEs are reported to contribute 25 - 35% of world exports of manufacturers and constitute a small share of foreign direct investment (OECD, 2010). Furthermore, according to a Eurostat's report (2020), the vast majority of exporters of goods for both intra and extra EU trade in goods are SMEs, particularly micro enterprises, and their share in the total trade accounted for nearly the 98% for the period between 2012 and 2017.

These facts are reflected in the international business literature where large multinational corporations stopped dominating the field and the increasing involvement of SMEs in international activities captured the interest of scholars. This shift on research interest has led to a substantial theoretical and empirical literature; the mainstreams of the SME literature pertain mainly the motives and barriers of SMEs internationalization, the impact that internationalization has on the SMEs' performance and the processes that leads to the internationalization (Dabić et al., 2019; Kamakura et al., 2012; Rahman et al., 2017; Ribau et al., 2018a; 2018b; Roy et al., 2016). These will be discussed in turn:

### **2.1.1. Internationalization motives and barriers**

To begin with the internationalization motives and barriers, a number of scholars have attempted to identify the motivational factors, which trigger SMEs' engagement in international activities, alongside with the factors – barriers preventing this particular procedure. According to Dabić et al. (2019) and Kubičková et al. (2014), these motivational studies play an important role in SME internationalization since they enable managers to get prepared for the internationalization process and also can help to better specify the target of the governmental internationalization support. Within the literature, there are various classifications regarding the motivational factors such as “stimuli” (Leonidou, 1998) and “drivers” (Winch and Bianchi, 2006) to internationalization and “push – pull” groups of

motives (Kacker, 1985; Treadgold, 1988). Another classification which is frequently employed by scholars is the distinction to internal (such as profit goals and availability of skilled labour) and to external (such as size of the domestic market, pressure by the competitors) motives; the former stem from within the enterprise while the latter stem from the domestic and/or foreign environment of the enterprise (Antoncic and Hisrich, 2001; Evans et al., 2008; Hutchinson et al., 2005; Hutchinson et al., 2007; Rahman et al., 2017). Empirically, scholars have highlighted that both internal and external motives are of a great importance to the SMEs' internationalization. For instance, Korsakienė and Tvaronavičienė (2012), in their study, found that Lithuanian and Norwegian SMEs from various industries (such as furniture and wood processing industry, food industry and construction industries) have been triggered by internal (profit goals and/or availability of skilled labour) and external (competitive pressure and/or small domestic market) motives to internationalize. Also, Kubíčková et al., (2014) examined a number of Czech SMEs from different industries (e.g. food industry, wood processing industry) and found that indeed internal and external motives play an important role to their internationalization. The main motives identified were the lack of demand in the domestic market, the increase in sales and the competitive pressure in the domestic market as well as the potential enlargement of the customers' portfolio. Similarly, Senik et al.'s (2010) study identified that the domestic conditions, the intense competition and the availability of human, financial and other resources are considered to be among the most significant motives – factors that trigger Malaysian SMEs internationalization.

A likewise classification in the literature, to internal and external (factors), applies also to the internationalization barriers which have been vastly investigated in relation to the particular internationalization strategy of exporting (Al-Hyari et al., 2012; Hutchinson et al., 2009). As far as the internal obstacles to SME internationalization are concerned, scholars have identified three main categories of barriers stemming from the inefficiencies of SMEs, and these are the informational, the functional and marketing barriers. On the other hand, in regard to the external obstacles to SME internationalization, scholars have included procedural, governmental, task and environmental barriers which, similarly to motives, derive from the domestic or foreign market of the enterprise (Al-Hyari et al., 2012; Gardó et al. 2015; Hutchinson et al., 2009; Leonidou, 2004). Empirically, there are many studies which

have detected the most significant barriers to SMEs' internationalization. For instance Korsakienė and Tvaronavičienė (2012) mentioned that the internationalization of Lithuanian SMEs has been mainly hindered by the external barriers of "bureaucracy" and "inaccessible market information" and the internal barriers of "start – up costs" and "limited financial resources". In the same study, it was found that the internationalization of Norwegian SMEs has been adversely affected by the external barriers of "bureaucracy" and "intense competition abroad" and also by the internal barriers of "limited management skills" and "lack of marketing knowledge". Another study, referring to small UK retailers, conducted by Hutchinson et al. (2009) found that the internal barriers – linked to the size of the studied firms – are more significant than external barriers. More specifically, the owner/manager's lack of vision and the lack of market knowledge have impeded the overseas expansion of those firms.

### **2.1.2. Internationalization and performance**

Another important stream in the SMEs internationalization literature concerns the implications of internationalization strategies (e.g. exporting, foreign direct investment) to the performance of SMEs. According to the recent reviews of Ribau et al. (2018a) and Dabić et al. (2019), "performance" (outcomes of internationalization) constitutes one of the most addressed topics by researchers. In fact, scholars highlighted that the relationship between performance and internationalization strategies has been broadly examined within the literature in relation to large firms but not in reference to SMEs (Dana et al., 1999; Lu and Beamish, 2001; 2006). The findings from large firms do not necessarily apply to SMEs and therefore researchers began exploring whether and how value is created in the internationalization of SMEs. An extensive (empirical) literature has been created regarding this subject, especially during the 2000s' and onwards. For instance, Lu and Beamish (2001) investigated a sample of 164 Japanese SMEs and identified that there is a strong relation between their entry mode type and their performance. They found that SMEs engaging in exporting experienced a negative impact on their profits as their level of internationalization increased. Also, they found that there was a decline in performance for the SMEs which had low levels of FDI but there was a positive impact on performance as FDI increased. On the other hand, Majocchi and Zucchella (2003), based on empirical data collected by 220 Italian SMEs, found that there is a negative relationship between FDI and firm's returns confirming

in that way the liability of foreignness that SMEs have to overcome in their international activities. However, this negative impact can be offset when FDI is associated with a high level of exports since, in that way, SMEs develop international capabilities. Another study, conducted by Pangarkar (2008) examined the relationship between the different degrees of internationalization and the performance of the firm. The author used a survey instrument, collected information from Singaporean SMEs and found that higher degree of internationalization leads to better performance and also found that firms investing in more attractive environments exhibit better performance.

## **2.2. Internationalization theories**

The internationalization processes constitute a third important stream of the SME internationalization. Several theories on SME internationalization attempt to analyse the way that firms increase their international activities (Andersson et al., 2004). Within the small firm context, most of the researchers have the tendency to view the concept of internationalization as an evolutionary, sequential procedure through which, firms become gradually engaged to international activities (Calof and Beamish, 1995; Johanson and Vahlne, 1990; Ruzzier et al., 2006; Ribau et al., 2015; Ribau et al., 2018a). Over time, the focus of internationalization research has gradually moved from the macro – perspective (country and market level) to the micro – economic perspective. In that respect, the internationalization of small firms has been mainly examined through two perspectives, namely, the firm perspective which includes the stage models (e.g. Uppsala model) and the entrepreneurship perspective which takes into consideration the individuals' strategic choices (Ribau et al., 2015; Ruzzier et al., 2006; Wright et al., 2007). Following, two processes of internationalization will be discussed:

### **2.2.1. The Uppsala – model**

One of the first and most influential internationalization models was developed by Johanson and Vahlne (1977; 1990) in the mid-1970s and is known as the Uppsala model. The Uppsala model was based on the behavioural models of uncertainty avoidance (Manolova et al., 2010) and Penrose's theory of knowledge and change in organisations (Penrose, 1959). This theory suggests that the internationalization process is incremental and manifested in several stages. In that respect, the international activities of firms occur in a gradual way

and are directly affected by general and experiential market knowledge and resources commitment. According to the Uppsala model, firms initially engage, through indirect methods (e.g. exporting), in international activities to markets which are culturally and psychologically close. Following, while the firm increases its engagement in international activities, accumulates knowledge, commits more resources in those activities and gradually expands to more distant markets through direct investment methods (e.g. sales office in the foreign market) (Andersen, 1993; Ribau et al, 2015; 2018; Ruzzier et al, 2006).

### **2.2.2. Network perspective**

Another way to examine the internationalization process is to employ networks as a starting point and view the firm as part of them. The network perspective of internationalization, presented in the 1980s, constitutes an expansion of the Uppsala process – model (Ojala, 2009; Ribau et al, 2015; Ruzzier et al, 2006). According to the network perspective, which has its roots on the theories of social exchange and resource dependency, companies are not isolated entities but are embedded in networks of business and personal relationships which include a number of different actors, such as suppliers, customers, competitors, distributors, agents and consultants, regulatory and other public agencies as well as family and friends. The basic assumption of this theory lies on the assertion that firms (actors of the networks) depend on the resources that the other parties possess and control (Johanson and Mattsson, 1988; 1992; 1994; Johanson and Vahlne, 1990; 2009). Within the network context, the internationalization is viewed as a cumulative process and can be achieved through the interaction with other actors within the network. In that respect, during this process, firms constantly establish, maintain, develop, break and dissolve business relationships with network partners in other countries (Hadley and Wilson, 2003; Johanson and Mattsson, 1988; 1992; Ratajczak – Mrozek, 2017). Initially, the internationalizing firm is engaged in a domestic network which relationships function as bridges to other networks in foreign countries increasing eventually the international activities of the firm (Johanson and Mattsson, 1988; 1992).

Recently, more emphasis has been given to the examination of international cooperative relationships, based on multipolar firms. Therefore, a firm – centric focus, has given way to a network perspective which, as already discussed, has a more multilateral element and gives emphasis on the relationships among the actors of business, personal and institutional

networks (Coviello and McAuley, 1999; Johanson and Vahlne, 2009; Yamin and Kurt, 2018; Ribau et al., 2015). The network model, in contrast to the stage models (e.g. Uppsala – model), is not progressive in nature. Another difference with the stage models is that the network perspective does not refer to the psychic distance of the markets in which the firms are entering to. Instead, as mentioned earlier, it theorizes the internationalization as a result of the establishment of relationships (Johanson & Mattsson, 1988; 1992; Johanson and Vahlne, 2009). The network perspective is especially employed to analyse the internationalization of SMEs and is extensively applied in the international entrepreneurship research (Coviello, 2006; Coviello and Munro, 1997; Ojala, 2009; Ribau et al., 2015; Ruzzier et al., 2006). As stated by Hollenstein (2005), the intense competition in global economy, the increasing science and knowledge content of economic activity and innovation and the increasing costs of knowledge production render necessary the relationships (such as collaborations and partnerships) among firms, specifically for SMEs which have to encounter resource constraints and capability limitations.

### **2.3. Networks and SMEs**

Researchers have examined how inter – organizational networks contribute to the performance and also to the internationalization of SMEs. A well-established empirical literature has highlighted the importance of network linkages in the SMEs' business development, survival, and growth (Acheampong et al., 2017; Dickson and Hadjimanolis, 1998; Jack et al., 2008; Kofler and Marcher, 2018; Lechner et al., 2006; Zeng et al., 2010) and also in their internationalization process (Bembom and Schwens, 2018; Coviello, 2006; Manolova et al., 2010; Musteen et al., 2014; Stoian et al., 2017; Zain and Ng, 2006; Zhang et al., 2016).

Over the past two decades, researchers, within the SMEs context, have mainly focused on the outcomes of inter – organizational networks and have identified several benefits. One of the central benefits that inter – organizational networks provide to SMEs is the access to external resources and complementary assets (Agostini and Nosella, 2019; Bužavaitė and Korsakienė, 2018; Chetty and Stangl, 2010; Hoang and Yi, 2015; Kofler and Marcher, 2018; Oparaocha, 2015; Street and Cameron, 2007). SMEs are regarded to encounter internal constraints, such as lack of sufficient financial capabilities and thusly, they try, through



external relationships and particularly inter – organizational cooperation, to gain access to a variety of resources held by other actors in order to compete in a globalized environment and achieve rapid technological change (Bembom and Schwens, 2018; Hoffmann and Schlosser, 2001; Kofler and Marcher, 2018; Sarkar et al., 2001; Stoian et al. 2017). These resources might be tangible such as financial capital (Carayannis et al., 2000; Coviello and Cox, 2006; Oparaocha, 2015), research and development facilities (Hoang and Yin, 2015; Premaratne, 2001) or intangible, meaning emotional support (Filatotchev et al., 2009; Hoang and Antoncic, 2003; Hoang and Yi, 2015). Another key benefit of inter – organizational networks is the access they provide to valuable information and knowledge which are related to technological and manufacturing processes and increase substantially the SMEs competitiveness (Chetty and Stangl, 2010; Deeds and Hill, 1996; Montoro-Sanchez et al., 2018; Oparaocha, 2015; Stoian et al., 2017). This valuable knowledge can be also associated with the entry of firms in new international markets.

In regard to the aspect of SMEs internationalization, researchers have examined the influence of (domestic and international) networks to the internationalization of SMEs. A number of studies have concentrated on how networks impact to the SMEs patterns of internationalization as well as to the performance and speed (Boojihawon, 2007; Ibeh and Kasem, 2011; Musteen et al., 2010; Musteen et al., 2014; Prashantham et al., 2019; Tolstoy, 2010a; Tolstoy, 2010b). Several empirical studies have highlighted out that inter – organizational networks are essential to SMEs which pursue international opportunities. More specifically, a stream of the literature concentrates on the benefits of networks and has identified that SMEs rely extensively on the inter – organizational networks in order to overcome the liabilities of newness and smallness (Barnir and Smith, 2002; Bembom and Schwens, 2018; Bužavaitė and Korsakienė, 2018; Brida et al., 2015; Ibeh and Kasem, 2011; Kontinen and Ojala, 2011; Musteen et al., 2010; Pinho and Pinheiro, 2015). For instance Montoro – Sanchez et al. (2018) pointed out the contribution of domestic networks to the SMEs effort to surpass their internal limitations (e.g. lack of adequate human capital and/or foreign market exposure) and eventually expand their international relationships and activities. Furthermore, other studies have shown that inter – organizational linkages with well – regarded organizations can enhance the legitimacy of young entrepreneurial firms and subsequently can help them to find access to scarce resources, necessary for their

survival (Deeds et al., 1997; Stuart et al., 1999; Pettersen and Tobiassen, 2012). Other researchers (Ojala, 2009; Moen et al., 2004; Zain and Ng, 2006) recognise that knowledge – intensive SMEs rely on their network contacts for market and entry mode selection. These studies present network relationships as the essential initiators and facilitators in the SMEs' internationalization process and are regarded as means to transfer valuable knowledge for foreign markets.

Despite the efforts that have been made to adequately understand the SMEs' inter – organizational networks, several important aspects of theirs remain under – researched. Particularly, the dynamics of SMEs' networks have received little attention in the literature and as a result, little is known about the temporal development of fundamental attributes, such as the structure and the strength of ties of networks (Bembom and Schwens, 2018; Jack et al., 2010; Koka et al., 2006; Slotte – Kock and Coviello, 2010; Wegner et al., 2018).

### **2.3.1. SME network dynamics**

Research on the SMEs' network dynamics remains limited and several authors stressed out the need for more conceptual and empirical studies within the SME literature (Hoang and Antoncic, 2003; Hoang and Yi, 2015; Slotte – Kock and Coviello, 2010; Wegner et al., 2015). There are some studies addressing this particular gap of network dynamics and examine why and how SMEs' networks change and develop over time. However, the research of those papers concentrates mainly on the internal factors triggering the network development by examining simultaneously social and economic ties and also neglect some significant aspects of networks which can be potentially developed, such as the tie – strength (Coviello, 2006; Jack et al., 2008; Kontinen and Ojala, 2011; Sepulveda and Gabrielsson, 2013; Wegner et al., 2018).

Specifically, Coviello (2006) sheds light on network dynamics within the internationalization literature by examining how international the networks of new ventures (INV) change over time in terms of their characteristics and ties. In her qualitative work, she utilises the stage model conceptualization of network development – the classic model as set by Larson and Starr's (1993) and the relatively more recent model by Hite and Hesterly (2001) – in order to explain the changes on the INV networks in regard to their size and density. She identified that the INVs' networks develop in various ways in relation to their size and their density as

the enterprises themselves evolve from the stage of conception through the stage of internationalization and growth. However, this work holds a number of shortcomings. First, as her work, influenced by the life – cycle process theory of Van de Ven and Poole (1995), it neglects the exogenous factors (e.g. the uncertainty from macro – environmental changes) that might also affect network development. Second, the obtained data do not include any insights about the strength of the ties, the influence that a firm can exert on a relationship and vice versa and also the intensity and frequency of contact between partners. Third, the study investigates network development in the context of INVs which are characterised as knowledge – based technology developers and therefore the external validity of the study might be limited. Similarly, another study by Sepulveda and Gabrielsson (2013) focusing on the internal factors of network development of born global firms investigate their network dynamics in relation to the accumulation of internal resources and also the entrepreneurial orientation of the firm. This study identified that the high development of BGs' internal resources during the different stages of life cycle trigger the evolvement of their networks in terms of the exchanged content, the tie strength and the centrality. Moreover, it found that a strong entrepreneurial orientation will result to a more calculative management of the network. The approach of life – cycle development process was also met in Wegner et al.'s (2018) paper. In this study, the authors examined the development of Brazilian and Portuguese SMEs' inter – organizational networks during the different stages of their life cycle. Again, this study refers only to the internal factors stemming from the SMEs (such as firm strategic goals) and argues that these play vital role in the evolvement of networks.

Despite their focus on the internal factors, the aforementioned studies also highlight the importance of exogenous events and mention their potential influence in network development. Specifically, Sepulveda and Gabrielsson (2013) in their conceptual framework of BG network development, apart from the firms' internal factors, mentioned that the exogenous events, such as industry changes, might prompt network development. Likewise, Wegner et al. (2018) mentioned that SMEs' inter – organizational networks can be affected by changes in their external environment, thusly, those should be further examined. In the case of Brazilian and Portuguese SMEs, these changes referred to the public funding support for the creation, development and consolidation of their networks. However, still, they have not examined the relationship between the exogenous changes that might occur in

certain domains of the external environment (e.g. socio – economic incidents/changes at macro level) and the development in the SMEs' networks. It is likely that sudden exogenous changes can trigger (increase or decrease) the managerial perceived uncertainty, which in turn, can affect the development of the firms' networks in relation to several aspects, for example the structure and the exchanged content.

In light of the above arguments, this study intends to address the relative gap in the SME literature and investigate if and how the exogenous conditions, particularly the respective perceived environmental uncertainty caused by those sudden exogenous changes, can affect the SMEs' inter – organizational network development.

## **2.4. Networks**

A significant increase has been observed, the last fifty or so years, on the volume of network research (Brass and Borgatti, 2019). This radical growth of the network literature is evident in many disciplines and is happening due to a general shift that began in the second half of the 20th century and suggests the removal from atomistic, individualistic explanations towards more contextual and systemic understandings (Borgatti and Foster, 2003; Borgatti et al., 2014; Brass and Borgatti, 2019; Brass et al., 2004; Carpenter et al., 2012; Cote, 2019; Kilduff and Brass, 2010; Yang and Saffer, 2019). The impact of the network – phenomenon to the business world is profound and can actually cause a reshaping on its architecture since there is a growing evolution from the autonomous organizations to dyadic relationships and networks with multiple partners (Parkhe et al., 2006).

The network theory is distinctive and focuses on relations among actors at different levels of analysis, such as the industry, country, firm, group and individual or inter-personal. The network perspective differs from the traditional perspectives in organizational studies in the sense that it concentrates on relations and structured patterns of interaction whereas the latter examine individual actors in isolation (Borgatti and Ofem, 2010; Borgatti et al., 2014; Brass et al., 2004; Brass and Borgatti, 2018; 2019; Carpenter et al., 2012; Perry et al., 2018; Zaheer et al., 2010). Brass et al. (2004, p. 795) mention that according to the network perspective “the actors are embedded within networks of interconnected relationships that provide opportunities for and constraints on behaviour”. Network theorists take into

account the entity's environment which comprises other entities and the relations among them. Thusly, the explanation of the organizational performance would not only include the characteristics of the organizations but also the relationships that they have established with other organizations (Coviello and McAuley, 1999; Borgatti and Ofem, 2010; Borgatti et al., 2014; Brass and Borgatti, 2019; Perry et al., 2018).

Network research can be distinguished in two main streams of inquiry, the antecedents of network relationships and structures and the consequences of networks. Researchers have paid more attention on the consequences of networks. Various outcomes have been identified (e.g. transfer of tangible and intangible resources, mitigation of uncertainty) and replicated by scholars (Carpenter et al., 2012; Borgatti and Ofem, 2010; Brass et al., 2004; Brass and Borgatti, 2019; Cropper et al., 2008; Jansen, 2017; Zahoor et al., 2020).

Regarding the second stream, scholars have concentrated mainly on the antecedents that explain the formation of networks (e.g. homophily) and have neglected the network development. Several researchers (Madhavan et al., 1998; Gulati and Gargiulo, 1999; Kim et al., 2006; Powell et al., 2005) begun addressing to more complicated issues and taking into account network dynamics, however research on this particular area (why and how networks evolve through time) remains on a theoretical level (Koka et al., 2006) and more empirical work is needed. Likewise, within the SMEs context, network dynamics/development belong to the areas which are relatively neglected in the literature; several scholars (Bembom and Schwens, 2018; Coviello, 2005; 2006; Hite and Hesterly, 2001; Hoang and Antoncic, 2003; Hoang and Yi, 2015; Kaartemo et al., 2019; O'Donnell et al., 2001; Sepulveda and Gabrielsson, 2013; Shaw, 2006; Slotte – Kock and Coviello, 2010; Stuart and Sorenson, 2007; Wegner et al., 2018) stress out that further research is required to examine the evolution of networks which are process – based and thus could be characterized as dynamic (Coviello, 2006; Larson and Starr, 1993; Hite and Hesterly, 2001).

### **Definition of networks – three levels of network analysis**

At this point, before we proceed on more specific areas, it is necessary to discuss several terms pertaining to networks and provide some definitions which although are broad will give a better idea of the network concept. The main components of networks are the nodes and the connections which within the social sciences can be replaced with actors and ties –

bonds, respectively (Cote, 2019; Borgatti and Foster, 2003; Brass and Borgatti, 2019; Brass et al., 2004; Carpenter et al., 2012; Perry et al., 2018; O' Donnell et al, 2001). Borgatti and Foster (2003, p. 992) in their review paper, define network as "a set of actors connected by a set of ties". Another definition of networks, similar to the aforementioned, can be found in Brass et al. (2004, p. 795) paper; according to the authors networks can be defined as "a set of nodes and the set of ties representing some relationship, or lack of relationship, between the nodes". Also, O' Donnell et al. (2001, p. 749) argue that networks "consists of a series of direct and indirect ties from an actor to a collection of other." The actors of the network can be persons, teams, organizations, concepts etc. creating accordingly the different levels of analysis (industry, country, firm, group and individual or inter-personal) mentioned in the first paragraph.

Within the network literature, scholars use several terms in order to refer to inter-organizational networks. As Provan et al. (2007) mention, some scholars who study business and other organizational networks avoid using the term "networks" and preferring terms, such as strategic alliances, inter-organizational relationships, cooperative agreements. Other researchers whose work is directly related to resource dependence theory and transaction cost economics tend to focus on dyadic relationships. Cropper et al. (2008) in the introduction of their book, mention that terms such as network, alliance and partnership are used in the literature to represent inter-organizational entities (IOE) which are "the manifestations of the existence of inter-organizational relationships". According to Oliver (1990, p. 241), the inter-organizational relationships (IORs) are "the relatively enduring transactions, flows, and linkages that occur among or between an organization and one or more organizations in its environment". An inter – organizational network can accrue from the link of more than two organizations through inter-organizational networking relationships (Ebers, 1997; 2015; Kilduff and Brass, 2010). All these terms have a common theme which encompasses social interaction, collaboration (e.g. selling something to), relationships or represent a more abstract relational state, such as trust, friendship, or influence (Brass and Borgatti, 2019). Therefore, we consider these as alternative terms of the "network" construct that fall into the broad category of inter-organizational networks. Inter-organizational networks constitute an institutional form, distinguished from market and hierarchy, which coordinates or governs the economic exchange relationships among

actors (Grandori and Soda, 1995; Ebers, 1997; 2015). The actors can be suppliers, customers, competitors and other organizational actors, maintain the control of their individual resources but periodically, decide jointly over their use (Brass et al., 2004; Borgatti et al., 2018; Cote, 2019; Coviello, 2006; Ebers, 1997; 2015; Peltier and Naidu, 2012). The forms of inter-organizational networks that are frequently discussed in literature are joint ventures, consortia, strategic alliances, and some forms of franchising and outsourcing (Barringer and Harrison, 2000; Cropper et al., 2008).

At this point, we also need to refer to the three levels of analysis of inter-organizational networks, meaning the dyadic, ego and the whole network levels. Dyad refers to the connection of two actors (organizations) by a tie; at this level, research has focused on the relational characteristics, such as tie strength and degree of trust. In the ego level, the focus is on the focal actor of the network and the set of alters to whom the ego is connected. At this level, researchers have examined the structure of the relationships surrounding the organization (ego). Finally, whole network refers to the complete set of actors and the ties that connect the actors. At this level scholars investigate the characteristics and behaviour of the entire inter – organizational network (Borgatti et al., 2018; Brass and Borgatti, 2019; Carpenter, et al., 2012; Perry et al., 2018; Kilduff and Brass, 2010; Zaheer et al., 2010).

Network research focuses mainly on three levels of analysis, inter-organizational, inter-personal and inter-unit. Ties connect pairs of actors and can be characterised as direct, indirect, dichotomous and valued<sup>1</sup>. The different types of ties<sup>2</sup> indicate the actual relationship between the actors and consequently define the type of the network (Carpenter, et al., 2012; Cote, 2019; Borgatti and Foster, 2003; Brass and Borgatti, 2019; Brass et al., 2004).

The basic distinction among the three main levels of network analysis, meaning the inter – organizational, the inter – personal and inter – unit, lies on the fact that the former is comprised of organizations that are interconnected with formal agreements, long – term

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<sup>1</sup> According to Borgatti and Foster (2003), directed (potentially one directional, giving advice to someone), indirect (being physically proximate), dichotomous (present or absent, whether two people are friends or not), valued (measured on a scale, strength of friendship).

<sup>2</sup> Usually studied are strategic alliances and collaborations, flow of information (communication), affect (friendship), goods and services (work flow) and influence (advice) and overlapping groups such as boards of directors.

cooperative relationships whereas at the inter-personal, the individuals - persons constitute the network actors and the interconnection among them is informal and finally at the third level, the inter-unit, the organization is perceived to be the network in which the organizational units are considered to be the actors interacting and establishing formal as well informal relations (Carpenter, et al., 2012; Brass and Borgatti, 2019; Brass et al, 2004; Oliver and Ebers, 1998; Ebers, 2015; O'Donnell et al, 2001). This thesis examines inter-organizational networks at the ego level and focuses on their development, an area which appears to be neglected in the literature. The ego level analysis will give the opportunity to examine the uncertainty perceptions in relation to the external environment of several focal actors (in this particular case, the perceptions of managers/owners of tourism SMEs) and consequently understand their impact on their networks' development. The ego analysis will enable the examination of networks' developments in three levels, namely the structural in regards to the size of networks, the exchanged content between the actors with their domestic – international partners and strength of their relationships that link them.

#### **2.4.1. Outcomes of networks**

As mentioned in the previous section the majority of studies in network research are concerned with the outcomes of networks (Agostini and Nosella, 2019; Brass and Borgatti, 2019). A number of scholars have identified several potential advantages that can accrue from the participation in inter-organizational networks/relationships (Barringer and Harrison, 2000; Hoang and Yi, 2015; Leppäaho et al., 2018; Ozman, 2009; Zaheer et al., 2010; Zema, and Sulich, 2019). These can be distinguished in the following categories which will be examined in turn: resources and capabilities, risk and cost sharing, trust – related to cost reduction and reputation – legitimacy.

Specifically, much of the network literature has studied inter – organizational networks as significant sources of resources and capabilities; particularly, networks give the ability to organizations to access resources not held by them, to build on – strengthen their current limited resources and make more efficient use of them. The nature of these resources varies and can be capital, employees with specialized skills or knowledge (tacit and/or explicit) of a market (Coviello and Cox, 2006; Chi, 1994; Cropper et al., 2008; Ebers, 1997; 2015; Hakansson and Snehota, 2006; Huggins, 2010; Mariti and Smiley, 1996; Mesquita et



al., 2017; Oparaocha, 2015; Zaheer et al., 2000). As Chi (1994) mentions, firms can obtain a strategic resource through collaborative agreements by purchasing the resource's service from the firm that possesses it or by replicating the resource under the guidance of its present employer. These agreements involve equity and non-equity joint ventures as well as other contractual agreements. Also, Mariti and Smiley (1996) mention that the most common type of cooperative agreements involve exchange of information which can take the form of technology transfer or technological complementarity. In that way, firms try to enhance their competitiveness and consequently increase their revenues (Contractor and Lorange, 1988). In fact, according to Zaheer et al. (2010) information is regarded as the most frequently cited resource that networks can provide.

Another benefit that accrues from inter-organizational networks is the risk and cost sharing. Firms proceed to the formation of inter-organizational relationships in order to share the risk and cost of a particular business project (Barringer and Harrison, 2000; Ebers, 2015; Glaister and Buckley, 1996; Shan and Hamilton, 1991; Park, 1996). According to Mariti and Smiley (1996) in this type of agreement, one of the partners is responsible for the management of the project while the others contribute only financially.

Furthermore, inter – organizational networks are regarded as sources of trust that leads to cost reduction. High levels of trust are related to lower transaction costs and increase the efficiency of the inter – organizational networks, for instance in the alliances and joint ventures. In that respect, firms, via better coordination of interdependencies and cost savings on the production, can improve their cost position; these can be achieved through the joint research, marketing or production (Delbufalo, 2012; Ebers, 2015; Snehota and Hakansson, 1995; Park, 1996; Zaheer et al., 2000; Zema and Sulich, 2019). Also, as Ozman (2009) mentions, the emergence of higher levels of trust among partners facilitate the mutual learning and the diffusion of tacit – difficult to be codified – knowledge which in their turn create increased opportunities for innovation. Furthermore, inter – organizational networks are beneficial to organizations in terms of reputation – legitimacy. Networks can function as signals – prisms in the marketplace, namely, the current relationships of a firm (usually of a newcomer) with reputed partners in the market build – enhance its reputation

in the field and constitute a sign of good quality (Bergenholtz and Waldstrøm, 2011; Ebers, 2015; Oliver, 1990; Pettersen and Tobiassen, 2012; Zaheer et al. 2010).

#### **2.4.2. Antecedents of networks**

The second stream of network research has been concerned with the antecedents of networks, meaning the conditions that facilitate or constrain the formation of inter-organizational networks (Cropper et al., 2008; Ebers, 2015; Grandori and Soda, 1995; Oliver, 1990). These conditions can be distinguished to:

- exogenous which refer to the institutional environment in which networks are formed and situated
- endogenous which refer to the various linkages and interdependencies that exist among organizations and to the various features of organization groups and members (Cropper, 2008; Ebers, 2015).

#### **Exogenous antecedents of networks**

Regarding the dimension of exogenous antecedents, research has identified that certain political, legal, industry and environmental circumstances have a significant impact on the likelihood of network formation (Ebers, 2015; Oliver and Ebers, 1998; Todeva and Knoke, 2005). For instance, Oliver (1990) mentions that the establishment of inter-organizational networks is often imposed by legal or regulatory requirements. With regard to international business, foreign governments establish tax incentives and international trade regimes which can influence the domestic's firm decision to create – or prevent from creating – a long-term relationship with an overseas partner (Todeva and Knoke, 2005). Also, other scholars (Gerlach, 1992; Hamilton and Biggart, 1988; Whitley, 1992) have pointed out the supporting role of the state in the formation of business networks. Networking among firms can be also supported by other institutions such as chambers of commerce and universities which are regionally embedded. These institutions have an informative role, support the information exchange among firms and eventually facilitate the adaptability and innovativeness of the networked firms (Saxenian, 1994; Herrigel, 2000). Another exogenous condition which prompts firms to participate in networks is stability (predictability), meaning the environmental uncertainty (Grandori and Soda, 1995; Ebers, 2015; Oliver and Ebers, 1998; Oliver 1990); firms establish inter-organizational relationships as a response to

the unpredictable changes of their environment (Miller, 1992; Pennings, 1981; Pfeffer and Salancik, 1978; Williamson, 1985).

### **Endogenous antecedents of networks**

On the other hand, scholars investigating the endogenous factors have identified that complementarity and hence diversity of the resources held by different firms plays a significant role in networks formation (Grandori and Soda, 1995; Snehota and Hakansson, 1995). According to Oliver (1990), in this situation, the formation of relationships among firms is motivated by reciprocity which is theoretically rooted in exchange theory (Emerson, 1962; Levine and White, 1961). Firms, especially SMEs, share and combine their resources and capabilities and pursue common or mutually beneficially goals (Ebers, 1997). Another condition, highlighted in the literature as a predictor of networks formation, is the inter-firm interdependence (Oliver and Ebers, 1998; Hakansson and Snehota, 2006). Snehota and Hakansson (1995, pp. 26) mention that, “a company always operates within a texture of interdependencies that affects its development”. Interdependencies in inter-firm relationships might appear due to several factors such as asset specificity and uncertainty and refer to several aspects (technology, knowledge, social relations, administrative routines and systems) important to business activities (Grandori and Soda, 1995; Snehota and Hakansson, 1995). Based on the interdependencies, Oliver (1990) identified the antecedent of asymmetry, which is contradictory to reciprocity, as a predictor of network formation; in this occasion an organization, prompted by resource scarcity, establishes a relationship in order to exert power and control over the organization that possess the required resources. Power and control as motives for the establishment of inter-organizational relationships are evident in the resource dependence theory (Pfeffer and Salancik, 1978).

Other scholars have pointed out that the existence of social relations among individuals is a condition facilitating and supporting the development of inter-organizational ties among organizations (Ebers, 1997; Eisenhardt and Schoonhoven, 1996; Snehota and Hakansson, 1995). These personal relationships enhance awareness, trust and commitment in interaction among individuals and thus foster the development of business networking relationships (Larson, 1992). In addition to social relationships, the status and the general

backgrounds of a firms' top manager and board members can create opportunities for cooperation (Podolny, 1994). For instance, D'Aveni (1990) found that failing firms which had top managers with prestigious backgrounds could receive easier support from creditors. Similarly, Higgins and Gulati (2003) mention, that the career history of managing officers can signal firm's quality, and convince potential investors particularly when the firm is young and operates in industries with high uncertainty.

Several scholars also argue that the position of organizations within the industry can influence the formation of networking relationships (Burt, 1992; Kogut et al., 1992; Gulati, 1995). For instance, Kogut et al., (1992) and Gullati (1995) found that the number and density of past linkages have a substantial role, which is considered to be more important than firm attributes, such as size and age, on the choice for cooperation. Accordingly, a large number of linkages make available significant information about the capabilities and intentions of other organizations and consequently enables firms to detect new opportunities for cooperation (Burt, 1992; Kogut et al., 1992; Gulati, 1995).

## **2.5. Network development**

Although an extensive body of research has focused on the outcomes (Barringer and Harrison, 2000; Brass and Borgatti, 2019; Ebers, 2015; Glaister and Buckley, 1996; Perry et al., 2018; Snehota and Hakansson, 1995) and the antecedents of the inter-organizational networks formation (Cropper et al., 2008; Ebers, 2015; Grandori and Soda, 1995; Oliver, 1990; Snehota and Hakansson, 1995), less attention has been paid to understand why and how these networks evolve through time especially in the context of small-medium sized firms. Indeed, network development constitutes a legitimate study area which requires further examination (Ahuja et al., 2012; Bembom and Schwens, 2018; Coviello, 2005; 2006; Hoang and Antoncic, 2003; Hoang and Yi, 2015; Jack et al., 2010; Kaartemo et al., 2019; Koka et al., 2006; Parkhe et al., 2006; Shaw, 2006; Sepulveda and Gabrielsson, 2013; Slotte – Kock and Coviello, 2010; Wegner et al., 2015; Wegner et al., 2018).

Networks appear to be vital living organisms which change, grow, and develop through time (Jack et al., 2008; Kerr and Coviello, 2020; Wegner et al., 2018). This is happening because network relationships are process-based and as Coviello (2006, pp. 715) mentions, "Process

is by definition dynamic rather than static". Hence networks are shaped, dissolved and reformed on a constant base (Jack et al., 2010; Koka et al., 2006). According to Kim et al. (2006, pp. 704) network evolution is "sequential processes of network dissolution with old partners and reformation with new ones". Also, in Hite and Hesterly's (2001, p. 278) theoretical paper, in which they examine the networks of emerging firms, network evolution is defined as "the process by which firms strategically adapt and align their networks to gain the resources they need to ensure successful emergence and early growth". This particular conceptualization is also met in Larson and Starr's (1993) model of network development; according to which, the initial network of the emergent firm, which is comprised exclusively by social relationships with friends and family, evolves over time and encompasses more formal economic relationships which in turn provide more resources to the firm.

Network development refers to the changes that occur in the network architecture which is comprised by three primitives, namely the nodes (actors), the ties which connect the nodes and the structure which results from these connections (Ahuja et al., 2012; Kerr and Coviello, 2020). The network architecture can change in regard to both structural and interactional dimensions, meaning that the changes may concern its structure, the strength of the ties connecting the nodes and also the exchanged content between the partners (Ahuja et al., 2012, Coviello, 2006; Fowler and Reisenwitz, 2013; Hoang and Antoncic, 2003; Hoang and Yi, 2025; Koka et al., 2006). These three types of network development will be discussed in turn.

### **Network structure**

According to Hoang and Antoncic (2003, p. 170), network structure is defined as "the pattern of direct and indirect ties between actors". Similarly, Hernandez and Menon (2019, p. 1) mention that the network structure is "determined by the distribution of ties among the nodes". The number of ties constitutes the firm's portfolio of ties which vary in nature. The portfolio of ties can be measured in terms of the size and range. The size refers to the number of direct links that exist between a focal actor and other actors. The range refers to the variety of the focal actor's partners and also to the several types of the inter – organizational relationships (Coviello, 2006; Hernandez and Menon, 2019; Hoang and

Antoncic, 2003; Koka et al., 2006). In that respect, the structural development of the network can accrue from the modification in either the ties or the nodes. The modification in ties and nodes refers respectively to the tie creation/deletion and to the addition or subtraction of nodes (Ahuja et al., 2012; Hernandez and Menon, 2019; Koka et al., 2006). For instance, in the case when new ties have been creating within a network, then the size of the portfolio of ties should increase and if those new ties have been established with new actors (partners – firms), then the portfolio range should also increase. There are a number of studies showing that tie creation and deletion, such as the establishment and ending of alliances and joint - ventures, cause alterations on the network structure (Hernandez et al., 2015; Polidoro et al., 2011; Sytch & Tatarynowicz, 2014). Further to the tie modification, certain alterations in nodes, such as the “collapse” of a node due its acquisition or the cease of its existence due to bankruptcy, can also result to the restructuring – development of networks (Ahuja et al, 2012; Hernandez and Menon, 2019).

### **Strength of ties**

Another significant aspect of the networks which can be changed – developed is the strength of ties that connect the nodes. The strength of network ties is distinguished to two main types, namely the strong and weak ties (Granovetter, 1973), which can be meet in both the inter - organizational and inter – personal networks although the strong ties are usually related to the informal/inter – personal ties (Kontinen and Ojala, 2011; Söderqvist and Chetty, 2013). Granovetter (1973) considers that the strength of ties can be determined by the amount of time, emotional intensity, intimacy, and reciprocal services which characterize the tie. Söderqvist and Chetty (2013, p. 539) provide a definition for strong and weak ties; the strong tie is defined as one which is “close, based on trust, mutual respect, commitment, deep knowledge and experience of each other” whereas the weak tie is defined as “a superficial tie not yet based on strong trust, where the parties do not know each other well and are not emotionally close”. Strong ties are associated to the social links with friends, relatives and are formed from dense cohesive sets of relationships while weak ties are considered to be the arm’s – length relationships with acquaintances (Söderqvist and Chetty, 2013; Hite, 2005; Hite and Hesterly, 2001; Mariotti and Delbridge, 2012; Sepulveda and Gabrielsson, 2013).

The tie strength can influence the actors' access to a diversity of resources. In particular, strong ties can provide in depth valuable information and facilitate the sharing of highly contextual and complex knowledge whereas weak ties of a network enable the actors to gain access to novel, heterogeneous forms of knowledge and ideas and generally to diverse resources (Hoang and Antoncic, 2003; Hoang and Yi, 2015; Jack, 2005; Mariotti and Delbridge, 2012; Kontinen and Ojala, 2011; Kraatz, 1998; Leppäaho et al., 2018).

The actors of networks, in their effort to secure the necessary resources and/or in pursue of new, diverse resources to ensure their emergence or enactment, can develop the strength of the ties connecting them with other actors (Hoang and Antoncic, 2003; Hoang and Yi, 2015; Hite, 2005; Hite and Hesterly, 2001; Jack, 2005; Jack et al., 2010). For instance, according to the models of network development by Larson and Starr (1993) and relatively more recently by Hite and Hesterly (2001), during the stages of the life – cycle of a firm, the strength of its ties can change from strong to weak, namely from social to economic. This development has been triggered by the firm's internal requirements of resources. It is likely that other factors (e.g. exogenous factors, such as environmental uncertainty) can also trigger the development of tie strength in a similar or even opposite way (from strong ties to weak ties and/or from weak ties to strong ties). In that sense, the tie strength refers to the importance and the level of influence a firm can have on a particular relationship with a partner and vice – versa (Granovetter, 1973; Coviello, 2006; Sepulveda and Gabrielsson, 2013).

### **Network content**

Further to the developments of the network structure and the strength of ties, the network architecture can also be developed in terms of the relational content. The network content refers to the resources that partners exchange within networks. The relationships in networks are viewed as the channels which enable actors to gain access to a variety of resources held by other actors (Hoang and Antoncic, 2003; Hoang and Yi, 2015; Partanen et al., 2018). Based on their nature, network resources can be distinguished to tangible, such as capital (Kwon & Arenius, 2010; Oparaocha, 2015) and physical assets (Brush et al., 2001) and intangible, such as market knowledge (Montoro – Sanchez et al., 2018; Musteen et al., 2014) and credibility (Pettersen and Tobiassen, 2012; Reuber & Fischer, 2005). As already

mentioned above, the availability of these resources is associated directly to the type of ties connecting the actors and also to the structure of the network. In this sense, it can be said that the structural and tie – strength development will inevitably bring a network content development in nature and also quantity (Ahuja et al., 2012; Coviello, 2006; Sepulveda and Gabrielsson, 2013). For example, a friendship network may become an advice network or business associates may become friends. Specifically, Larson and Starr (1993) and Hite and Hesterly (2001) have argued that, as firms grow, they will expand their networks and rely more on weak ties in order to achieve the access to more specialised combinations of resources and support their business needs. Also, Sepulveda and Gabrielsson (2013) found that born global firms after having developed their internal resource accumulation, they will seek for more strategic, instead of utilitarian resources from their network partners. Coviello (2006) also identified that, during the life cycle of INVs, the increase of their networks' size and range of INVs' networks caused an increase in the exchanged social capital. Those developments were driven by the firms' own development and their internal requirements; however, it is likely that they can be also triggered by the need to adapt to the changes of the external environment. The evolutionary trajectory of networks at the level of ties and nodes is triggered by several factors, the "microfoundations" (Ahuja et al., 2012; Kaartemo et al., 2019); within the literature, these factors can be distinguished to endogenous and exogenous (Kaartemo et al., 2019; Wegner et al., 2018).

### **2.5.1. Endogenous factors of network development**

In prior literature, scholars paid more attention in the endogenous factors and examined network development under three main perspectives, the actors' attributes, the structure and relations in existing networks and the proximity (Kaartemo et al., 2019; Koka et al., 2006; Rivera et al., 2010). In that respect, a key factor promoting the creation and evolution of networks is the focal actors' motivation to establish connections with other actors, also called agency behaviour (Burt, 2005; Kerr and Coviello, 2020; Emirbayer and Mische, 1998). Actors try to create social structures that favour them and proceed deliberately to the formation and/or dissolution of network links, to the strengthening or weakening of existing relations (Ahuja et al. 2012; Kaartemo et al., 2019; Kilduff and Brass, 2010). Agency behaviour is consistent with Burt's (1992) idea of structural holes as social capital, according to which focal actors pursue advantages through the creation of a portfolio of social



network connections. Also, Rivera et al. (2010) mention that assortative mechanisms, based on the compatibility and complementarity of actors' attributes, might lead to the creation, persistence, and dissolution of social relationships. In this occasion, the similarities (homophily) and dissimilarities (heterophily) among actors are essential dynamics for the establishment and eventually evolution of connections (Glückler, 2007).

In regard to the second perspective, structure and relations in existing networks (also referred as "within the network" approach), scholars have identified that the shape and structure of the network in a prior time period can trigger network change (Ahuja et al. 2012; Gulati and Gargiulo, 1999; Kaartemo et al., 2019; Koka et al., 2006; Stuart and Sorenson, 2007; Zaheer and Soda, 2009). For instance, Gulati (1995) found that firms form relations with other firms with which they have established prior connections or with the partners of their partners. Also, Zaheer and Soda (2009) found that network structures follow a purposefully trajectory driven by forces that include the past social interaction as a result of inertia and the exploitation of opportunities provided by past structures. In this occasion, the dynamics of reciprocity, trust and repetition deepen the ties between a set of actors and play significant role in their evolution (Ahuja et al. 2012; Rivera et al. 2010). In fact, trust has received the attention of several scholars from different disciplines, such as marketing and management, and is regarded as an important characteristic of inter – organizational relationships that can affect their development, both in terms of their structural and interactional dimensions (Seppänen et al., 2007; Schilke and Cook, 2013; Zhong et al., 2017). Previous studies have found that trust between partners removes any cooperation concerns and thus leads to committed relationships; in other words, when firms trust their partners can resolve conflicts and consequently show an increased propensity to continue collaborating with them and are willing to maintain these relationships by investing more resources (Akrouf and Diallo 2017; Brattström and Bachmann, 2018; Ekici, 2013). This can be viewed as a development on the interactional dimension of the inter – organizational networks, namely an effort of firms to strengthen their relationships with certain partners. For example, Kumar et al. (1995) examining supplier – reseller relations, reported positive correlations between trust and willingness to invest in the relationship and expectation of continuity. More recently, Akrouf, and Diallo (2017) examined the construct of trust in business to business relationships in France and

identified that a particular form of trust (the affective trust) has a significant positive effect on relationship investments through the commitment of more resources. Another implication that trust can have in the interactional dimension of networks, is its potential to promote the open exchange of information and knowledge transfer between the partners within the inter – organizational networks (Akrouf, and Diallo, 2017; Seppänen et al., 2007; Sydow, 1998). According to Ring and Van de Ven (1992), under the conditions of high trust which can be developed in longstanding relationships, both implicit and proprietary knowledge is available to the exchange partner. In addition, the level of trust can also affect the structure of the networks, namely to lead to the termination of relationships. Wang and Huff (2007) investigated the violation of trust in buyer – suppliers' relationships and hypothesized that a decline in trust due to violations by the side of suppliers would lower the intention of buyers to repurchase and continue collaborating. In a relatively recent study, Ekici (2013) found that organizational buyers and suppliers may terminate their relationships with partners whom they don't trust. However, as the author mentions, this particular structural network development does not apply in all the occasions that investigated since, as it was found in their study, some companies had decided to continue collaborating with partners although they didn't trust them.

The third perspective, referring to proximities, speculates that network change is triggered by the actors' social and cultural environment. The main hypothesis of this strand of literature is that geographical proximity increases face to face interaction and thus facilitates the formation of new relationships and the maintenance of existing ones (Boschma, 2005; Glückler, 2007; Weterings, 2006). For instance, in his paper Balland (2012) using the five proximity dimensions proposed by Boschma, (2005), examined the influence of proximity on the evolution of collaboration networks within the Global Navigation Satellite System (GNSS) industry in Europe and found that two particular forms of proximity, geographical and institutional favour collaborations and their evolution. Also, Balland et al., (2013) investigated interfirm networks in the global video game industry and found that different forms of proximity - particularly geographical and cognitive proximity and to a lesser extent organizational and institutional - alongside individual characteristics and structural endogenous network structures affect network formation and evolution. In fact as Balland (2012) mentions, the impact of proximity is close to the homophily effect, met in

the first perspective of actors' attributes. However, the examination of network development under these aforementioned perspectives overlooks the role of the exogenous influences on network dynamics and particularly the impact of perceived environmental uncertainty (Koka et al., 2006).

### **2.5.2. Exogenous factors of network development**

On the other hand, the exogenous factors affecting network development have been neglected in the literature. These particular factors are beyond the control of the focal firm and derive from outside the network (Ahuja et al., 2012; Gulati, 1998; Kaartemo et al., 2019; Wegner et al., 2018). Several dynamic changes in the business environment, exogenous to the network, are expected to affect significantly the development of certain aspects of the inter-organizational networks, for example they could trigger the reinforcing or loosening of the relationships among actors and/or the change in the exchanged content among actors (Brass et al., 2004; Kim et al., 2006; Parkhe et al., 2006; Slotte – Kock, and Coviello, 2010; Fowler and Reisenwitz, 2013). Those changes can occur at any of the domains (sub – environments) of the external business environment. For example, sudden unpredictable changes, such as fiscal and monetary reforms and/or trade restrictions might occur in the governmental domain. These incidents in their turn can affect the socio – cultural domain by causing social unrest – riots and certainly increase the level of uncertainty. In that sense, these incidents derive from any of the external domains and at some occasions might be interrelated (Miller 1992; 1993; Lewis and Harvey, 2001; Sepulveda and Gabrielsson, 2013).

The potential influence of the exogenous factors is consistent with the evolutionary process theory (set by Van de Ven and Poole, 1995) according to which, change and development processes of variation, selection and retention are in response to macro-environmental pressures (Jack et al., 2008; Jack et al., 2010; Kaartemo et al., 2019; Slotte – Kock, and Coviello, 2010). In prior research, there are a small number of studies examining the impact of environmental factors on network development at theoretical and empirical level. These studies (Danis et al., 2010; Lang and Lockhart, 1990; Madhavan et al., 1998; Park et al., 2017; Peng and Zhou, 2005) take into consideration the exogenous changes, such as changes in the regulation framework, that might increase the level of uncertainty and are likely to trigger the modification of the firms' inter – organizational networks.

For instance, in their research, Lang and Lockhart (1990) found that changes, specifically the increases in competitive uncertainty and resource dependence, which accompanied the deregulation in the U.S. airline industry, led firms to change their inter-organizational strategies. Also, Madhavan et al. (1998) examined the influence of two key industry events on the development of the global steel industry for the period between 1977 and 1993. These events triggered the firms to seek relationships with new partners and urged them to improve their positions in their industry network to gain access to necessary resources. According to their findings, these industry events could be classified as structure – reinforcing and structure – loosening and had a significant impact on the subsequent structure of the network. Also, the theoretical work of Peng (2003) and Peng and Zhou (2005) examine the influence of institutional transitions in emerging economies, such as changes in the laws – regulatory framework, to the firms’ network strategies in regard to tie – strength and exchanged content. More specifically, Peng (2003) argues that during the early phases of the institutional transitions when uncertainty is high, firms’ managers rely mainly on informal, inter – personal relationships with managers from other firms and also with government officials. But, at the later phases of these transitions, a relationship development emerges since the firms’ managers begin to rely more on the inter – firm ties in order to achieve organizational goals. Similarly, Peng and Zhou (2005) expressed the propositions that as the transition of political and legal institutions in the emerging economies unfold, the strong – ties that dominated the B2G and B2B networks, transform to weak – ties. Inevitably, those transitions which have many dimensions, such as the decrease in government resource control and intervention on business, have an impact on the exchanged content within the aforementioned networks. As Peng and Zhou (2005) state, firms, due to uncertainty decrease and being less dependent to governmental institutions might be more interested in forming weak – ties with a more diverse set of organizations to gain access to scarce resources and explore new opportunities.

These propositions have been supported by the findings of Danis et al. (2010) who investigated the strategic behaviour of 335 SMEs from emerging economies during the period of their institutional transition. In this study, the authors identified that there is a change/development in the networking activity of SMEs’ managers prompted by the institutional transition. Early in the transition period, managers appeared to spend great

deal of time in networking, namely developing and maintaining their networks but this networking intensity declined as the institutional transition unfolded, indicating that their networks have been evolved in terms of their tie – strength since the strong – ties are now less valuable and managers turn their interest to other market – based strategies, such as effective/marketing advertising.

Also, Park et al. (2017) examined the impact of environmental uncertainty, in particular the inability to predict industrial changes (e.g. volatility in the prices), to the development of inter – firm relationships in terms of the relational norms of information sharing and flexibility. Their findings showed that the network content was developed in situations of high uncertainty caused by the unstable environment since the exchange partners, in these occasions, tend to rely more on the relational norms and exchange important information more frequently.

The aforementioned studies hold several shortcomings. First, these studies have examined the potential relationship between the exogenous factors and network development from a positivistic point of view and have adopted largely a quantitative methodological approach. As O'Donnell et al. (2001) and Hoang and Antoncic (2003) outline, the qualitative approach for the data collection is more relevant for the research of network development. This approach, among others, should include interviews with the entrepreneurs and will enable to capture rich, deep insights about the network developments of firms within a particular context. Second, these studies have not applied the concept of perceived environmental uncertainty to the unstable business environments and therefore the managerial perceptions, insights in regard to state, effect and response uncertainty have not been captured and analysed in the necessary depth. Third, certain studies (Peng, 2003; Peng and Zhou, 2005; Danis et al., 2010) concentrate on the institutional transitions that occurs in emerging economies and therefore the propositions and findings might not apply to the firms of the developed economies. The relatively recent theoretical paper by Koka et al. (2006) point out that previous studies have not examined thoroughly how environmental uncertainty, particularly perceived environmental uncertainty, affects the patterns of network development. The authors highlight the need for an incisive theory of network change which will include a “clearer view of change drivers and change patterns” (p.723). In their theoretical paper, they suggest the examination of two dimensions of external

environment (uncertainty and munificence) and their influence on patterns of network change. The authors' basic argument is that the changes (increase – decrease) in the environmental uncertainty and munificence will trigger the size and range development of the inter – firms' networks. The authors propose four environmental change scenarios which lead to four patterns of network change, namely the network expansion, churning, strengthening and shrinking. For the examination of the concept of environmental uncertainty, they nominate Milliken's (1987) three constructs, state, effect and response uncertainty. However, in their conceptual framework, they don't distinguish those three uncertainty constructs and as a result, their propositions do not link each of these uncertainty constructs to network development individually but simultaneously. In this sense, the multidimensional nature of perceived environmental uncertainty has been neglected although it has been mentioned and described. Moreover, the propositions focus exclusively on the structural patterns of network change and neglect the other significant aspects of networks (tie – strength and network content) which can be also developed due to environmental uncertainty.

Through this study, I will intend to address these gaps and investigate the relationship between perceived environmental uncertainty and network development. Specifically I will examine individually the three differentiated uncertainty constructs and identify if these constitute a trigger for SMEs' network development leading to changes in their structure (e.g. size expansion), the exchanged content with their partners (e.g. information) and their relationships that link them. The following section will now discuss the concept of environmental uncertainty, particularly to the three types of perceived environmental uncertainty (PEU).

## **2.6. Environmental Uncertainty**

From the genesis of management studies it has been recognised that organizations, in order to remain viable, need to adapt to an ever-changing environment. During this process, organizations have to cope with uncertainty (Barnard, 1938; Duncan, 1972; Kreiser and Marino, 2002; Lawrence and Lorsch, 1967; Pfeffer and Salancik, 1978). Environmental uncertainty is considered to be a major determinant in many managerial decisions and

evaluations. According to empirical evidence it affects the design of management practices, decision making and performance (Ariefiara et al., 2017; Ashill and Jobber, 2010; Lueg and Borisov, 2014; Magnani and Zucchella, 2019; Samsami et al., 2015).

Environmental uncertainty has long been viewed as a determinant of firms' inter-organizational relationships. In the literature of the Transaction Cost Analysis it is considered to be one of the two key dimensions of transactions (Rindfleisch and Heide, 1997; Williamson, 1975; 1985; 1991) and it is defined as "unanticipated changes in circumstances surrounding an exchange" (Noordewier et al., 1990, p. 82). However, according to the Transaction Cost theory the inter-organizational relationships enable firms to reduce the uncertainty which is created by market failure and reduce costs related to the establishment of hierarchy (Barringer and Harrison, 2000). Similarly, the concept of environmental uncertainty is central in Resource Dependence Theory which main argument is that organizations are not autonomous and are embedded in an environment where they are interdependent with other organizations. One of the main assertions of Resource Dependence Theory is that firms participate in inter-organizational relationships, such as joint ventures, to mitigate environmental uncertainty (Pfeffer and Salancik, 1978; 2003). Changes in the strategy of the firm are one tactic that organizations apply to manage the exposure in environmental uncertainties. Organizations, to reduce uncertainty, adopt cooperative strategies including long-term contractual agreements with suppliers or buyers, alliances, joint ventures, participation in consortia, etc. (Ebers, 2015; Gulati and Gargiulo, 1999; Fowler and Reisenwitz, 2013; Kerr and Coviello, 2020; Miller, 1992; Koka et al., 2006; Narooz and Child, 2017).

Miller (1992, p. 312) defines uncertainty by combining and explicating its use in the strategic management and organization theory; hence the term uncertainty refers to "the unpredictability of environmental or organizational variables that impact corporate performance or the inadequacy of information about these variables". The concept of uncertainty covers both the components of environment and organization. This study focuses on the external environmental component.

According to Milliken (1987), in the environmental uncertainty literature, there is an inconsistency and confusion regarding the conceptualization and operationalization of the

term “environmental uncertainty”. This confusion is partly caused by the use of the term “environmental uncertainty” which describes both the state of organizational environment and the state of a person who perceives to lack valuable information about the environment. The first case refers to the characterisation of the environment in terms of how objectively uncertain it is, whereas the second case implies that environmental uncertainty should be examined as a perceptual phenomenon based on individual’s view.

### **2.6.1. Distinction between archival and perceived environmental uncertainty**

In the literature, there are numerous conceptualizations for the construct of environmental uncertainty (Duncan, 1972; Lawrence and Lorsch, 1967; Miles et al., 1974; Tosi, 1973; Milliken, 1987). These definitions can be distinguished into two main categories, archival (objective) environmental uncertainty (AEU) and perceptual environmental uncertainty (PEU). The first school of thought (AEU) adopts a positivistic approach and views environmental uncertainty through a resource dependence perspective (Boyd et al., 1993; Kreiser and Marino, 2002; Doty et al., 2006; Lueg and Borisov, 2014; Tosi et al., 1973). Resource Dependence Theory (Pfeffer and Salancik, 1978) argues that uncertainty is created when organizations lack the control of the environment’s finite resources upon which they depend. It assumes that “uncertainty exists independently from the perceptions of decision makers” (Lueg and Borisov, 2014, p. 658) and is mainly caused by the organizational dependence on resources. The second school (PEU) adopts a behavioural approach and views uncertainty through the prism of information. In this case, uncertainty arises from the lack of perfect information that managers perceive to have about the environment (Kreiser and Marino, 2002; Lueg and Borisov, 2014; Milliken, 1987; Regan, 2012). The measurement of AEU relies on objective (archival) data which can include accounting data such as revenues, profit, and other indicators such as growth in industry sales. On the other hand PEU typically focuses on a specific decision unit and is constructed using data collected in field research, (for instance through surveys and interviews) regarding decision markers’ judgments and enactments of the environment (Boyd and Fulk, 1996; Boyd et al., 1993; Lueg and Borisov, 2014; Regan, 2012; Samsami et al., 2015).

The concept of PEU has been applied in a wide range of fields related to business, such as organisation behaviour, strategic management, marketing, accounting, and is considered to be a better predictor of managerial behaviour (Ashill and Jobber, 2010; Boyd and Fulk, 1996;



Jogarathnam and Wong, 2009; Regan, 2012; Samsami et al., 2015). Perceptual measures give the ability to the researcher to describe the environment of an organization from the perspective of organizational members. For some authors, managers' perceptions about the environment play more substantial role on the organizational strategy, structure and processes than the archival data of the environment (Ariefiara et al., 2017; Boyd et al, 1993; Freel, 2005) due to the fact that managers' perceptions constitute the base for the strategic choices upon which depend the outcomes of the firm (Priem et al., 2002). The early advocates of PEU such as Duncan (1972) and Lawrence and Lorsch (1967) were not concerned about the existence of the objective environment and argued that managerial perceptions regarding uncertainty shaped managerial choice (Sharfman and Dean, 1991).

### **2.6.2. The conceptualization and measurement of perceived environmental uncertainty**

In prior literature, there is a great variety and differentiation concerning the conceptualization and measurement of perceived environmental uncertainty. Initially Lawrence and Lorsch (1967) and then Duncan (1972) argued that imperfect knowledge concerning the environment, create uncertainty for firms. Also, managers' perceptions about the environment are likely to be consistent with their training and personal attributes. In their study Lawrence and Lorsch (1967) stated that uncertainty consists of three components, (1) the lack of information clarity of job requirements; (2) the degree of difficulty that is involved in the job performance of every department; and (3) the time period which is needed to receive feedback. According to Duncan (1972), their definition regarding the first two components of uncertainty is vague, a fact which inhibits the development of specific operational uncertainty measures. Additionally, Tosi et al. (1973) tested the Lawrence and Lorsch (1967) scales and found that that the reliability (internal consistency) of the total uncertainty scale appeared to be marginally adequate. But they were unable to validate the environmental subscales against four external criteria of volatility.

Following, Duncan (1972), conceptualised environmental uncertainty by proposing three components: (1) a lack of information regarding future environmental events related to a given decision – making situation; (2) not knowing the outcome of certain decisions, in

terms of how harmful for the organization would be an incorrect decision (the first two components are similar with Lawrence and Lorsch's (1967) conceptualization and focus on the lack of information related to decision making); and (3) an inability to assign probabilities with regard to how the environmental factors will affect the performance of a decision unit. Duncan (1972) identified the components of the internal and external environment which can be viewed through two dimensions, the "simple-complex" and the "static-dynamic". The first dimension refers to the number and variety of the environmental components whereas the second refers to the status of these factors, if it remains the same or change over time. These environmental dimensions are matched with the three types of uncertainty in a unified scale (Lueg and Borisov, 2014).

Both measurement scales of uncertainty (Lawrence and Lorsch, 1967; Duncan, 1972) were assessed by Downey et al. (1975). According to their findings, both uncertainty scales appear to be methodologically adequate in terms of internal reliability. Further, they found that there are no significant relationships between the sub-scales in Lawrence and Lorsch's (1967) instrument and there is only one significant relationship between two subscales (lack of information and lack of effect knowledge) in Duncan's (1972) instrument. Also, the authors did not find any significant correlation between the two instruments, a fact that suggests the absence of communality, although both instruments measure a similar concept. As Donwey et al. (1975, p. 624) mention, "this low correlation indicates that the core dimension in the two instruments is dissimilar".

Milliken (1987) pointed out that research on the construct of environmental uncertainty has yielded inconsistent results, which often are difficult to interpret. Therefore, she suggested the re-examination of this significant construct and stressed out the need "to be more precise in defining, using, and measuring the construct of environmental uncertainty" Milliken (1987, p. 135). In that respect, she suggested the distinction of perceived environmental uncertainty into three components, "state", "effect" and "response" uncertainty. According to Milliken (1990), these three particular types of perceived uncertainty appear to fit with the three stages of interpretation process in organizations – scanning (data collection), interpretation (data given meaning) and learning (action taken) as set by Daft and Weick (1984). Based on this process, Gerlof et al. (1991) simplified the Milliken's (1987) three types of uncertainty to three questions which can be asked by the

prospective actor concerning his/her relationship to the external environment. Also, relatively recently, McMullen and Shepherd (2006) examined the role of PEU in the entrepreneurial action and followed a similar approach to Gerloff et al (1991) by creating three analogous questions in order to better conceptualize the concept of PEU. Milliken's (1987) PEU constructs, namely state, effect and response uncertainty will be discussed next:

According to Milliken (1987), state uncertainty refers to the situation when administrators perceive that the organizational environment or a component of it is harsh to predict. State uncertainty matches with the scanning stage of Daft and Weick (1984) during which as Ashill and Jobber (2010) and Regan (2012) mention, the manager attempts to make sense, to adequately understand the trends of the environment and collects information that will help him/her to answer the question (set by Gerloff et al., 1991) "what is going to happen" or the similar question (set by McMullen and Sepherd, 2006) "What's happening out there?". Several factors contribute to the increase of state uncertainty, for example the changes in the socio – cultural trends or the increase/decrease of government intervention make the environment less predictable and therefore the decision – maker experiences high level of state uncertainty. State uncertainty appears to be at high level within the entrepreneurial contexts since dynamism is one of their main characteristics (McMullen and Sepherd, 2006; McKelvie et al., 2011; Regan, 2012; Samsami et al., 2015; Townsend et al. 2018).

The current research on PEU has neglected the development of inter – organizational networks as one of the possible responses of SMEs to alleviate state, effect and response uncertainty. This potential link between the PEU and network development will be discussed in the respective reference points of the three types of uncertainty starting with state uncertainty.

As it has been already mentioned in previous chapters, the inter – organizational networks enable to SMEs the access to valuable scarce resources. Depending to the types and nature of the relationships (e.g. weak ties), the SMEs may better access tangible and intangible resources which are held by their partners (Bužavaitė and Korsakienė, 2018; Hoang and Antoncic, 2003; Hoang and Yi, 2015; Oparaocha, G.O., 2015; Stoian et al., 2017; Peltier and Naidu, 2012; Pinho et al., 2015). Within a complex and dynamic environment, there are

multiple changes/incidents deriving from several sub – environments, which due to the SMEs liabilities – shortcomings (Coviello, 2006; Pinho et al., 2015; Leppäaho et al., 2018; Sepulveda and Gabrielsson, 2013; Stoian et al., 2017), will most likely increase the managerial state uncertainty (Milliken, 1987; Regan, 2012; Samsami et al., 2015). In its turn, the perceived state uncertainty increases the need for information and other resources which can be found in inter – organizational networks. In this respect, it is expected that SMEs, triggered by state uncertainty, will develop their domestic – international networks in several ways (e.g. structural development – formation of new ties with new partners) in order to gain access to the necessary resources and thusly cope with state uncertainty.

Following, the second type of PEU, namely the effect uncertainty, refers to an individual's ability to predict the consequences of environmental changes on his/her organization. Milliken (1987; 1990) notes that “effect uncertainty involves a lack of understanding of cause – effect relationships” and believes that this type of PEU fits with the interpretation stage of Daft and Weick (1984) model. During this stage the manager tries to interpret the trends on the environment, to assess them and understand their potential influence (if they involve opportunities or threats and to what extent) on his/her organization (Ashill and Jobber, 2010; Regan, 2012). As Gerloff et al. (1991) and McMullen and Shepherd (2006) point out the manager tries to address the question “how is this event or trend going to impact on our organization?”. In this case, although managers might know what is going to happen (low state uncertainty), they may be unaware and anxious about how their organization will be affected. This situation can lead decision – makers to experience a high level of effect uncertainty (Milliken, 1987; McMullen and Sepherd, 2006; Regan, 2012; Townsend et al. 2018).

Researchers have examined the effect uncertainty by using questions concerning the decision makers' ability to predict the impact of environmental changes (e.g. changes in the customers' preferences) on the enterprise (Ashill and Jobber, 2010; McKelvie et al., 2011; Samsami et al., 2015). For example, McKelvie et al. (2011) investigated the implications of PEU to managerial action in the entrepreneurial context. With regard to effect uncertainty, they applied questions regarding the predictability of the impact of demand and technological changes in the viability of the entrepreneurs' products. Also, Ashill and Jobber (2010), in an effort to provide a rigorous scale of PEU measurement examined effect

uncertainty by applying questions regarding the participants' ability to predict the impact of environmental changes (e.g. political/legal changes) in their decision making and eventually to their firms.

Likewise to the occasion of state uncertainty, when several changes/incidents emerge suddenly, the effect uncertainty experienced by SMEs' managers is likely to increase since this type of enterprises lack essential information and experience (Milliken, 1987; Regan, 2012; Samsami et al., 2015). Again, SMEs might address to their partners from the inter – organizational networks to access the necessary information as well as other intangible resources (e.g. advice). In that respect, it is possible that SMEs, triggered by effect uncertainty, will proceed to developments in their domestic – international networks, either by modifying the existing relationships and the exchanged content or by expanding – decreasing the size of the networks (e.g. addition of new ties with new partners).

Finally, response uncertainty refers to the lack of information concerning the available response options to the occurred changes. Also, it refers to the inability to predict the consequences of a response selection or in other words, to the inability to understand what is the value of the selected response (Milliken, 1987; Regan, 2012). This type of perceived uncertainty fits with the third stage of Daft and Weick (1984) model, namely the stage of learning which involves a new response according to the interpretation (Milliken, 1987; 1990). At this stage, according to Gerloff et al. (1991), managers try to answer the question “what action are we going to take?” or as similarly McMullen and Sepherd, (2006) mention “what am I going to do about it?”. Now, decision makers may experience high response uncertainty when they are unaware of all the possible alternative responses or when they feel unsure about which response will be most effective (Packard et al., 2017).

It is likely that the development of inter – organizational networks constitutes a strategy that SMEs apply to alleviate response uncertainty as well as the other two types of uncertainty, state and effect. SMEs, in their effort to alleviate response uncertainty, are likely to evolve their networks, for example by modifying the strength of their ties and/or the quantity and the nature of the exchanged content among them. In that way they will gain access and secure the necessary resources (e.g. novel information that can be found through weak ties) (Bužavaitė and Korsakienė, 2018; Chetty and Stangl, 2010; Kofler and

Marcher, 2018; Montoro-Sanchez et al., 2018) and thusly will be able to identify an effective response to the sudden changes of a high complex and dynamic environment.

In fact, within the SME literature, several studies investigate the impact of PEU on their networking activities (Babakus et al., 2006; Marino et al., 2008; Sawyerr et al., 2003). However, these studies examine PEU as a single construct and do not expand to the three types of Milliken (1987) and most importantly concentrate on the formation, and not on the development, of networks. Each of the three uncertainty components mentioned above constitutes a perceptual phenomenon related to the business decision making and represents a unique type of uncertainty that an administrator might confront (Samsami et al., 2015). As Packard et al. (2017, p. 9) mention the situation of uncertainty leave “decision makers with an indefinite number of possibilities to consider or, more practically, a set of outcomes that they must populate themselves”.

Also, it has to be noted that these types are differentiated based on the type of information that administrators perceive to be lacking (Gerloff et al., 1991; Milliken, 1987). In state uncertainty, the administrators perceive shortcomings in information related to the nature of the environment. In the case of effect uncertainty, the shortage of information is more specified and refers to the knowledge of how environmental changes will affect the particular organization. Finally, in the case of response uncertainty, the perceived lack of information is related to the organization’s response options and their potential effects (Milliken, 1987). As several authors point out (Boyd and Fulk, 1996; Doty et al., 2006; Milliken, 1987; Lueg and Borisov, 2014), the distinction among the three uncertainty constructs is necessary and could help to avoid confusing results. Gerloff et al. (1991) provided a table illustrating the three conceptualizations of perceived uncertainty by Lawrence and Lorsch (1967), Duncan (1972) and Milliken (1987).

**Table 3: Perceived Environmental Uncertainty**

Lawrence and Lorsch	Duncan	Milliken
Lack of clarity of information regarding job requirements	Lack of information regarding the environmental factors associated with a given decision situation	State uncertainty - unpredictability of the environment or some components of the environment

General uncertainty about causal relations and difficulty of accomplishing the job within resource constraints	Not knowing the outcome of a specific decision	Effect uncertainty - inability to predict the impact of environmental change on the organization
The length of time required for feedback concerning results	Inability to assign probabilities as to how environmental factors will affect success or failure with confidence	Response uncertainty - lack of knowledge of response options/inability to predict the consequences of a response choice
(a priori assumption is that the environment can be divided into three sub-environments: marketing, research and manufacturing)	(no a priori assumption regarding sub-environment)	(no a priori assumption regarding sub-environment)

The above definitional comparison suggests that the subscales (components) proposed by Duncan (1972) and Milliken (1987) are similar and differentiate from those of Lawrence and Lorsch (1967). More specifically, Lawrence and Lorsch's first component, lack of clarity of information, refers to functional job requirements and seems that it does not fit with Duncan's and Milliken's first components, which refer to lack of information regarding environmental factors and state uncertainty – predictability respectively (Gerloff et al., 1991). Regarding the second Lawrence and Lorsch's component, general uncertainty about causal relations, it seems to be similar to Duncan's and Milliken's second components which also involve cause – effect relationships (Milliken, 1987). However, similarly with the first component, it is limited to the functional job context. The third component of Lawrence and Lorsch (1967) could be related with Milliken's response uncertainty but this is open to question since its specific question is associated with three functional areas and the success of their job performance. To summarise, according to Milliken (1987), state uncertainty is conceptually close to Duncan's third component (inability to assign probabilities as to how environmental factors will affect success or failure with confidence), effect and response uncertainty are similar to Duncan's first (lack of information regarding the environmental factors associated with a given decision situation) and second (not knowing the outcome of a specific decision) component respectively.

Milliken's (1987) types of environmental uncertainty provide a rich framework which can be used for further analysis. Therefore, the examination of these three particular constructs

would be more beneficial and would provide a comprehensive picture of perceived environmental uncertainty (Ashill and Jobber, 2010; McKelvie et al., 2011; Regan, 2012). However, this has been neglected in the past literature since most researchers focus on a single perceptual measure of uncertainty, with a few exceptions, e.g. Milliken (1990), Gerloff et al. (1991), Doty et al. (2006), and McKelvie et al., (2011). The term environmental when attached to uncertainty, indicates that the latter is directly linked with the organization's wider environment (Milliken, 1987). Therefore, past research has devoted attention to specify the source of perceived environmental uncertainty, meaning the different domains of the environment for which the decision maker is uncertain.

Several researchers (Duncan, 1972; Lawrence and Lorsch, 1967) pointed out the necessity for a more specific conceptualization of the organization's environment and its components (suppliers, competitors, end users etc.) and they suggested the examination of uncertainty in relation to these particular elements of the environment. According to Duncan (1972), the environment is a set of physical and social factors that the decision makers of the organization take into consideration. Further, he distinguished the environment into two categories, internal and external. The components of internal environment lay within the boundaries of the organization or specific the decision unit whereas the components of external environment lie outside these boundaries.

Miller (1992) developed a framework within which he classified into three categories the interrelated uncertainties that managers perceive on their environment. Having reviewed the literature of uncertainty and risk management, he concluded in the following three categories: general environmental uncertainty, industry and firm-specific uncertainties; each one of these categories is further divided into sub-categories<sup>3</sup> which contain a number of uncertain components. In addition, Miller (1993) developed a measurement instrument and tested perceived environmental uncertainty as a multidimensional construct. As Ashill and Jobber (2010) mention, Miller's (1993) scale constitutes the exception among the

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<sup>3</sup> "General environment" contains the sub-categories of political, macroeconomic, government policy, social and natural uncertainties. "Industry" contains the sub-categories of input market, product market and competitive uncertainties. "Firm specific" contains the operating, liability, R&D, credit and behavioural uncertainties.

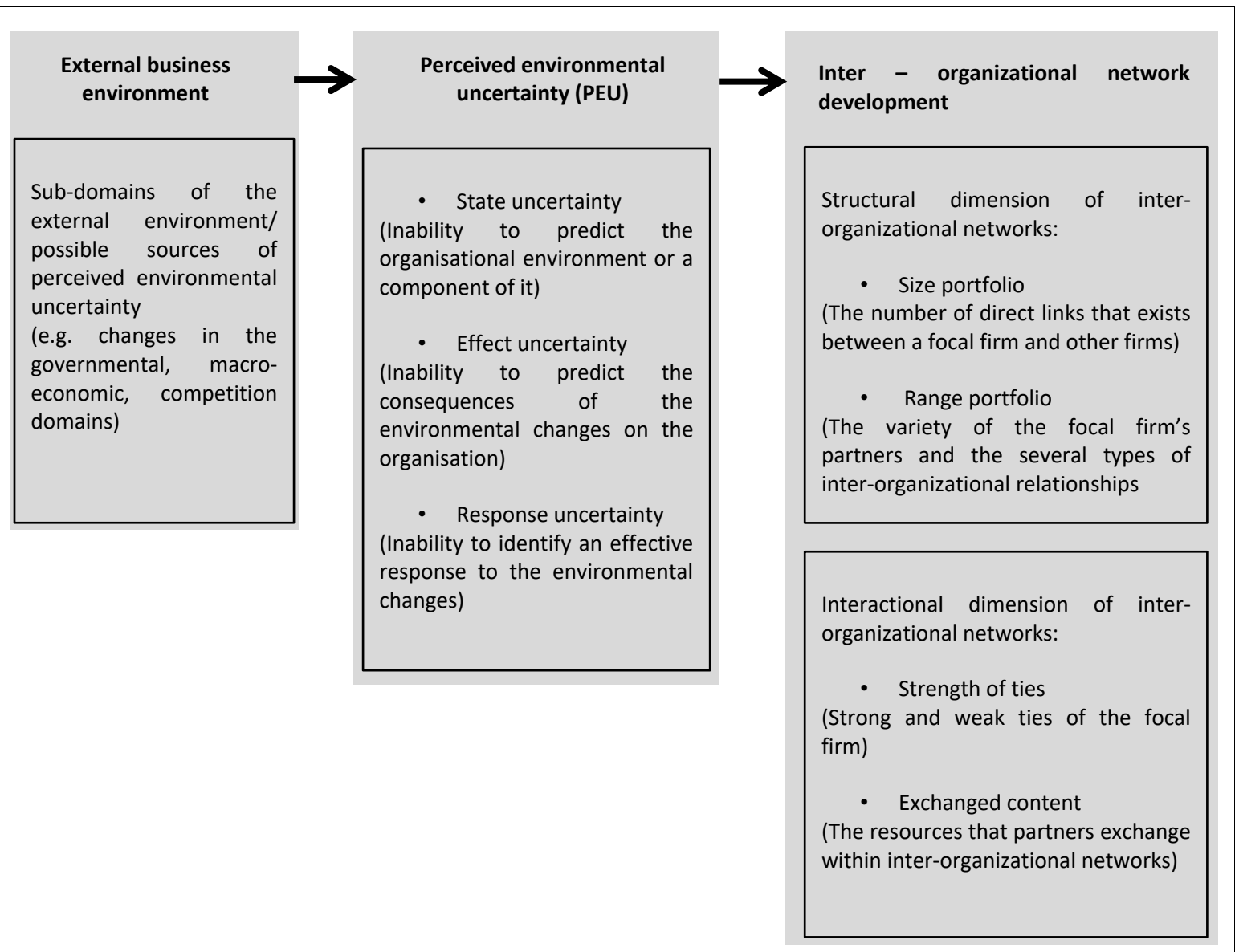


studies that tried to measure perceived environmental uncertainty since most researchers omitted to examine all the domains of the external environment. For instance, in their studies Fink et al., (2008) and DeSarbo et al. (2005) refer to technological and competitor uncertainties respectively but omit other significant components of the macro and micro environment.

PEU can arise from any of the domains of the external environment, therefore, their examination is necessary and essential (Ashill and Jobber, 2010; McKelvie et al., 2011; Regan, 2012; Samsami et al., 2015). In their study, Ashill and Jobber (2010) identified ten different sub-environments of the external marketing environment and these could be distinguished to macro (political/legal, technology, sociocultural, natural/physical) and micro (distributors, actual end users, market characteristics, competitors and suppliers) environment; their findings correspond closely to Miller's (1992; 1993) categorization.

This study attempts to identify if and how PEU (state, effect and response uncertainty), stemming from several sub – domains of the external business environment (e.g. political, socio – cultural), can affect the development of tourism SMEs' inter – organizational networks. The potential linkages between the concepts of PEU and network development are depicted in the following table.

**Table 4. Conceptual framework of SMEs' inter – organizational network development**



## **Chapter Three: Methodology**

### **3. Introduction**

The research questions for this thesis are as follows:

- 1. Does perceived environmental uncertainty (PEU) trigger the inter-organizational network development of SMEs?**
- 2. Which domain of the SMEs external environment constitutes a source for PEU and what role might play in the network development?**
- 3. What are the potential changes on the patterns of the network caused by perceived environmental uncertainty?**

In order to address the above research questions, this thesis has employed a single case study of the Greek tourism industry, using the lens of critical realism to enable the in – depth investigation of the development of the SMEs’ inter – organizational networks within the tourism industry and its relationship with perceived environmental uncertainty. This section will firstly describe the critical realism paradigm and then will provide a justification of employing this particular philosophical framework. Secondly, this section will provide details regarding the case study research strategy including the case study design, the data generation and analysis and the integrity of this strategy.

#### **3.1. The research paradigm of critical realism**

At every stage of the research process, a researcher makes certain philosophical assumptions, concerning mainly the nature of reality and human knowledge. This set of fundamental philosophical assumptions about how the world is perceived, constitutes a research paradigm which throughout the research will function as a thinking framework, guiding the action and investigation of each researcher, and also influence the way knowledge is studied and interpreted within disciplines (Frey, 2018; Guba and Lincoln, 1994). As several scholars (Creswell and Poth, 2016; Neuman, 2013) point out, it is essential to firstly question the research paradigm which will be adopted in the research, since it will influence the means to conduct social research, that is the framing and understanding of the social phenomena, the underpinning of a research strategy and the selection of a particular method, part of this strategy (Frey, 2018; Wahyuni, 2012).

A range of four paradigms exist within the field of the research of social sciences and are summarised in table 4, in association to the four philosophical dimensions; these four paradigms are positivism, post – positivism (critical realism), interpretivism (constructivism) and pragmatism.

**Table 5: Fundamental beliefs of research paradigms**

Research Paradigms				
<b>Fundamental Beliefs</b>	<i>Positivism (Naïve realism)</i>	<i>Postpositivism (Critical Realism)</i>	<i>Interpretivism (Constructivism)</i>	<i>Pragmatism</i>
<i>Ontology: the position on the nature of reality</i>	External, objective and independent of social actors	Objective. Exist independently of human thoughts and beliefs or knowledge of their existence, but is interpreted through social conditioning (critical realist)	Socially constructed, subjective, may change, multiple	External, multiple, view chosen to best achieve an answer to the research question
<i>Epistemology: the view on what constitutes acceptable knowledge</i>	Only observable phenomena can provide credible data, facts. Focus on causality and law-like generalisations, reducing phenomena to simplest elements	Only observable phenomena can provide credible data, facts. Focus on explaining within a context or contexts	Subjective meanings and social phenomena. Focus upon the details of situation, the reality behind these details, subjective meanings and motivating actions	Either or both observable phenomena and subjective meanings can provide acceptable knowledge dependent upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data
<i>Axiology: the role of values in research and the researcher's stance</i>	Value-free and etic  Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance	Value-laden and etic  Research is value laden; the researcher is biased by world views, cultural experiences and upbringing	Value-bond and emic  Research is value bond, the researcher is part of what is being researched, cannot be separated and so will be subjective	Value-bond and etic-emic  Values play a large role in interpreting the results, the researcher adopting both objective and subjective points of view
<i>Research Methodology: the model behind the research process</i>	Quantitative	Quantitative or qualitative	Qualitative	Quantitative and qualitative (mixed or multimethod design)

Source: Wahyuni, 2012, p. 70

### **3.1.1. Post – positivism (critical realism)**

Post – positivism, also known as critical realism, is a research paradigm that emerged in the 1970s – 80s and its origin is attributed to Roy Bhaskar (2013; 2014); it was further elaborated by other critical realists, such as Andrew Sayer (1992) and Andrew Collier (1994). Critical realism has gained popularity in many disciplines, such as economics, sociology, management, and is viewed as an alternative philosophical framework to positivism and constructivism (Easton, 2010; Fletcher, 2017). In fact, critical realism, having emanated from the “paradigm war” between positivism and constructivism, contains elements of both those paradigms, meaning that critical realists combine the ontological realism and epistemological relativism (Denzin and Lincoln, 2011; Easton, 2010); thus, as Fletcher (2017) mentions, critical realism constitutes a comprehensive philosophical framework. In other words, critical realists, ontologically, assume the existence of an objective (“intransitive”) world, independent of the observers’ human mind, which can be more accurately understood through the scientific endeavour. However, in regard to epistemology, they recognize that knowledge is a subjective, related to discourse, constantly changing social construction and thus is characterised as “transitive” (Fleetwood, 2004; Vincent and O'Mahoney, 2018). Yet, the reality, suggested by critical realism is more complicated and is stratified into three levels based on the assumption that the world consists of objects, events and also from structures which inherently have powers and liabilities (causal mechanisms), often undetectable to the researcher but capable of generating events (Easton, 2010; Sayer, 1992; Vincent and O'Mahoney, 2018). In his book, “A realist theory of science”, that was first published in 1975, Bhaskar distinguishes the reality in three overlapping domains, namely, the “empirical”, “actual” and “real”; the “empirical” refers to what we perceive to be the case, in this domain, the events and objects can be measured empirically but are always interfered through the filter of human experience and interpretation; the “actual” refers to the events that occur in space and time and may differentiate from what we perceive to be the case since there, the human filters of experience are absent; finally the “real” is the level where causal mechanisms exist which generate events. These three overlapping domains are illustrated in the table below:

**Table 6: Critical realism reality**

	Domain of Real	Domain of Actual	Domain of Empirical
Mechanisms	✓		
Events	✓	✓	
Experiences	✓	✓	✓

Source: Bhaskar, R., 2013 (p. 47).

According to Bhaskar (2013, p. 47) “these three levels of reality are not naturally or normally in phase. It is the social activity of science which makes them so”. The primary goal of critical realism is to explain social events by referencing to the causal mechanisms and the effects they can have throughout the three levels of reality.

### **3.1.2. Justifying critical realism**

In this study, the research paradigm of critical realism has been employed as the philosophical framework in order to guide the methodology of the inquiry which has a dual goal, that is to explore and also explain if and how perceived environmental uncertainty triggers the development of the SMEs’ inter – organizational networks. According to several scholars, (Morais, 2011; Peters et al., 2013; Ryan et al., 2012; Sousa and Castro, 2010) critical realism is a philosophical position that can adequately capture the complexity of network relationships over time and thus its use on the investigation of networks has been increased substantially. The network relationships are process – based structures and therefore are considered to be dynamic rather than static, meaning that inter – organizational networks change, grow and develop through time (Coviello, 2006; Jack et al, 2008; Kaartemo et al., 2019; Wegner et al., 2018). The critical realist approach is well suited to address the central questions of why and how these networks change (develop) since the dynamic, changing nature of these social structures is inherent in its foundational conceptualization and is based on the continuous human agency (Morais, 2011; Ryan et al., 2012).

Critical realism assumes the existence of a stratified reality which is comprised of events, objects/entities but also of structures and causal powers, which although they might be invisible to the observer, generate events (Bhaskar, 2013; Sayer, 1992). Taking this ontological assumption in consideration, it can be said that critical realism is suitable and

provides the necessary philosophical framework for this study which aims to identify the causality of a particular event, the development of inter – organizational networks. Indeed, the causal explanation, answering to questions of “what caused those events to happen?” is according to Easton (2010, p. 121) “the most fundamental aim of critical realism”. As Sayer (1992, p. 104) mentions, the causality can be interpreted as, “to ask for the cause of something is to ask ‘what makes it happen’, what ‘produces’, ‘generates’, ‘creates’ or ‘determines’ it...”; so, in that respect, critical realism provides to this study, the necessary philosophical framework to explore the contingent relationship between two entities (Easton, 2010; Morais, 2011), the SME and its inter – organizational network and following explain if under the conditions of (perceived) environmental uncertainty the former entity will exert its causal power in the latter and consequently generate an event, that is the development of the SMEs’ inter – organizational networks.

The activation or not of the causal mechanisms as well as their exact effects may vary, depending on the context. As it is highlighted by George et al., (2005, p. 137), the causal mechanisms can be activated and transfer energy, information, or matter to other entities “but only in specific contexts or conditions”. Indeed, critical realism takes in great consideration the context within which the objects/entities interact through the necessary or contingent relations (Easton, 2010; Morais, 2011) and is defined by Welch et al. (2011, p. 741) as “the contingent conditions that, in combination with a causal mechanism, produce an outcome”. In this study, one of the researcher’s aims is to identify – understand the SMEs managers’ perceptions regarding uncertainty, in the context of the Greek tourism industry. The examination of this context (e.g. examination of several domains of the external environment) will provide valuable insights about how the prevailing conditions in the external environment have affected the managers’ perceptions and if eventually triggered them (at firm level) to develop the inter – organizational networks of their SMEs.

### **3.2. The case study research strategy**

This section refers to the research strategy that the researcher has selected to follow in this study. The research strategy of case study, applying the philosophical prism of critical realism, has been employed to investigate if and how perceived environmental uncertainty



at the managerial level triggers the development of the SMEs inter – organizational networks.

The critical realism paradigm is considered to be methodologically ecumenical due to the emphasis given on the ontological questions (i.e. what is the nature of reality?) over the epistemological questions (i.e. how can we know about reality?). Therefore, in contrast to positivism and interpretivism, is relatively tolerant in regard to the research strategies (Easton, 2010; Vincent and O'Mahoney, 2018). In fact, researchers, having adopted this particular philosophical stance, can choose a strategy from a fairly wide range but as Sayer (2000, p.19) mentions, the strategy selection should depend “on the nature of the object of study and what one wants to learn about it”. According to several scholars (Ackroyd and Karlsson, 2014; Danermark et al., 2002; Sayer, 2000), the critical realist research strategies are distinguished to two broad types of research, the intensive and extensive. The former is associated mainly to qualitative strategies (such as case – studies and action research), focuses on individuals and trace the causal mechanisms in known contexts. In this regard, it is viewed as the stronger form of explanatory research. On contrary, the latter, which is typically associated to large scale surveys, has weaker explanatory power since it focuses on identifying regularities, common patterns and similarities across a population (Easton, 2010; Morais, 2011; Sayer, 1992; 2000). Ackroyd and Karlsson, (2014) add a second scale that characterises each study as detached or engaged and also affects the choice of the strategy; this characterisation is based on the extent of researcher’s involvement in the study. Table 3 summarise the research strategies and categorise them according to the intensive – extensive dimensions.

**Table 7: Critical realist research strategies**

		Intensive ←	→ Extensive	
	What is the mechanism?	How do context & mechanism typically interact?	How do context & mechanism historically interact?	What is the context?
Detached	Case-study	Comparative case-study	Institutional / historical analysis	Surveys
Engaged	Action research	Intensive realist literature evaluations	Barefoot research	Extensive realist evaluation

Source: Vincent and O'Mahoney, 2018, p. 207.

In this study, the researcher has employed the intensive research strategy of case study, using the lens of the critical realism paradigm, to investigate the phenomenon of development of the SMEs inter – organizational networks. The several conflicting views about the qualitative case study strategy, which derive from the various explicit and implicit philosophical assumptions regarding the ontology and epistemology, have not “allowed” the conclusion to a single definition for this particular research strategy. The various conceptualizations of case study include the positivist standpoint, which dominate in business and management studies, and also the interpretivist and critical realist standpoints which in late years have gained ground in this field (Ji et al., 2019; Piekkari et al., 2009; Piekkari and Welch, 2011). This thesis adopts the broad definition given by Piekkari et al. (2009, p. 569) which encompasses all three aforementioned philosophical approaches and conceives the case study as “a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of “confronting” theory with the empirical world”.

The case study is considered to be a key research strategy in the qualitative domain of international business research (Fletcher and Plakoyiannaki, 2011; Ji et al., 2019; Welch et al., 2011) and according to Piekkari et al.’s (2009) relatively recent review in international business journals, it constitutes the most frequently used qualitative research strategy in this area. Indeed, in the field of international entrepreneurship, the case study has been employed in several empirical studies which aimed to investigate the network development of small firms (for example, Coviello, 2006; Coviello and Munro, 1997; Kontinen and Ojala, 2011; Sepulveda and Gabrielsson, 2013; Wegner et al., 2018). Researchers in international business tend to rely more on a specific case study approach which is characterised as “qualitative positivistic” and is based on Eisenhardt (1989) and Yin’s (2009) work – models. However, the critical realist approach in case research, a recently emerged alternative to the methodological literature, has a high potential and great applicability in international business topics and particularly to those which are related to the internationalization model and business network theory (Easton, 2010; Morais, 2011; Piekkari and Welch, 2011).

Therefore, the use of the critical realism case study as a methodological approach for this thesis has been deemed as the most appropriate for the following reasons:

1) the complexity of the phenomenon under study; as Easton (2010, p. 123) mentions “a critical realist case approach is particularly well suited to relatively clearly bounded, but complex, phenomena such as organisations, inter – organisational relationships or nets of connected organisations”. This study aims to investigate if and how perceived environmental uncertainty affects the development of the inter – organizational networks of SMEs; the development of networks is viewed as a complex process that can occur to both, structural and interactional dimensions. In this regard, several fundamental components of the network, such as the structure and the strength of ties connecting the actors, may develop individually and/or simultaneously. Furthermore, the researcher believes that, during the network development process, each of the developing components of the network are likely to interact with each other and inevitably influence the overall development of the inter – organizational network. The case study strategy enables the investigation of complex social phenomena and specifically will allow the researcher “to retain the holistic and meaningful characteristics of real-life events” (Yin, 2009, p. 4) which in the current study is the process of the inter – organizational network development.

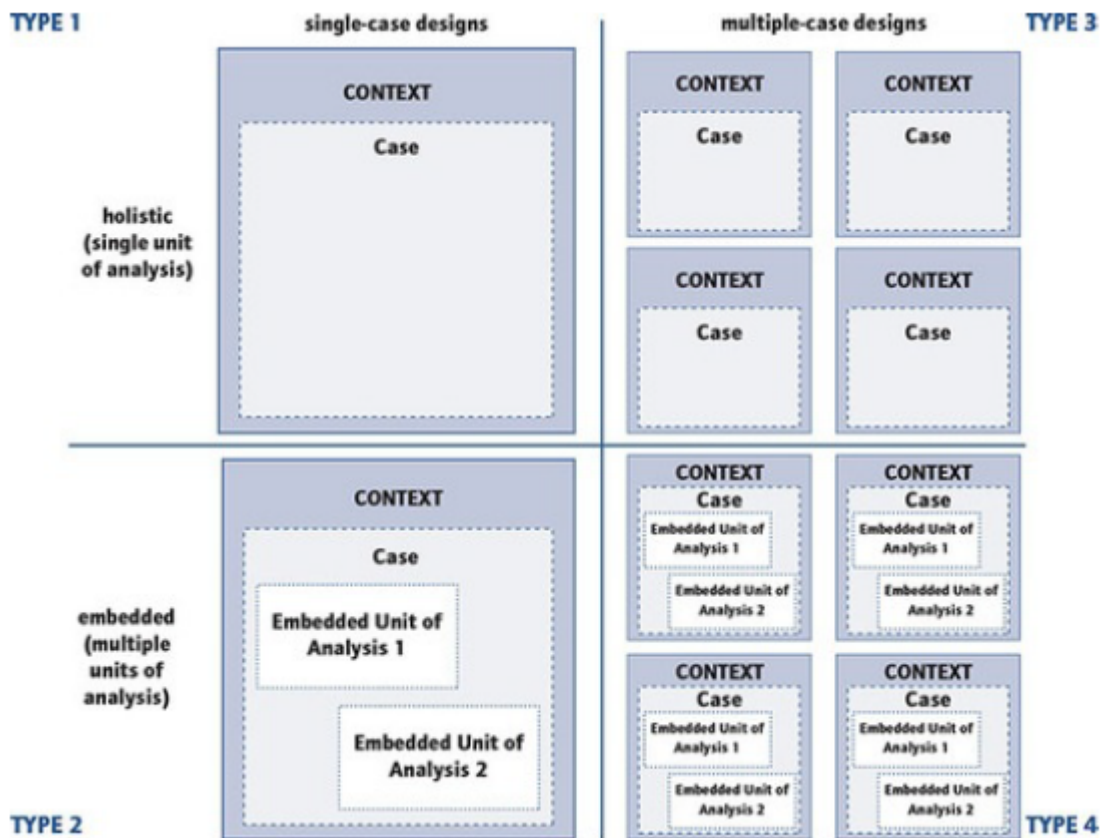
2) The critical realist case study is further useful for this study due to its strong explanatory power (Morais, 2011; Sayer, 1992). This thesis constitutes an enquiry into causes and thus aims to investigate if and how perceived environmental uncertainty triggers the development of SMEs’ inter – organizational networks. In this regard, it will examine the causal mechanisms (causal – powers and liabilities) of the participating SMEs and their networks which are likely to be triggered by the perceived environmental uncertainty and subsequently, can lead to the generation of a specific event, that is of network development. The intensive critical realist case study allows the researcher to address this thesis suggested research questions which according to Easton (2010) and Sayer (2000) have a specific form, namely, “what produces a certain change” and “how does a process work in a particular case”. Thusly, the researcher will be able to better understand the specific causal mechanisms (e.g. dissolution/formation of ties, reinforcing of relationships) which lead to the outcome of network development (at the structural and/or interactional levels) and provide a detailed causal explanation for the production of this event (Easton, 2010; Piekkari et al., 2009; Sayer, 2000).

3) The adopted critical realist case study also allows the researcher to delve deeply and holistically into the context within which the SMEs and their networks operate (Easton, 2010; Fletcher and Plakoyiannaki, 2011). The rich context is the essence of qualitative case study research, and its examination is necessary since it will reveal the conditions (the existing social structures) that can activate the causal mechanisms of the entities under investigation (the SMEs and their networks) (Welch et al., 2011). By examining the context, the existing social structures, the researcher will be able to understand and explain in a better way what type of the exogenous factor of perceived environmental uncertainty may trigger the SMEs decision makers to develop their networks and also to identify the “in what way”, namely, which are the potential patterns of this development.

### **3.3. Case study design**

The case study designs can be categorised into two dimensions, namely the single and multiple case study. In their turn, these dimensions, further break down to two categories, namely the holistic and embedded which are based on the number of units of analysis (Rowley, 2002; Yin, 2009). The matrix below illustrates the four types of designs for case studies; as Yin (2009, p. 46) mentions, the matrix, firstly, includes the “desire” of each type to “analyse contextual conditions in relation to the case”; secondly, it shows the two different case designs of single and multiple case studies – within which there can be unitary or multiple units of analysis.

**Table 8: Basic types of design for case studies**



Source: Yin (2009)

In this thesis, a single, embedded case study strategy is used as part of an intensive, explanatory enquiry. As Yin (2009, p. 29) mentions, “the case can be some event or entity other than a single individual”; similarly, Creswell and Poth (2016, p. 74) state that “cases may involve an individual, several individuals, a program, an event, or an activity”. Also, Ackroyd and Karlsson (2014) argue that cases do not necessarily need to be narrowly drawn (e.g. a case study of a single organization) but, on the contrary, they can be more broadly designed, for example, a case might be investigating a particular type of economy or a management system. In this regard, the case study of this thesis will concern the network development of SMEs within the Greek tourism industry.

As already expressed, the purpose of the current thesis is to explore and explain if and how perceived environmental uncertainty triggers the development of the SMEs’ inter – organizational networks. This dual purpose will be achieved with the use of the single case study strategy which according to Fletcher and Plakoyiannaki (2011) enables the researcher

to gain deep insights by emphasising on thick descriptions – better stories and in turn identify and explain the associations between the key concepts of the study. The single case study design allows the researcher to investigate and analyse in depth a phenomenon that has been neglected so far by other scholars, such as the effect of environmental uncertainty to network development (Piekkari et al., 2009). Also, various scholars (Dyer and Wilkins, 1991; Piekkari et al., 2009; Siggelkow, 2007) point out that the single case study is suitable for the generation of deep contextualised insights about the investigated phenomena and can offer an explanation for the existing relationship between them. In fact, according to Halinen and Törnroos (2005), the study of evolution of contemporary, business networks is a very demanding task, due to its context specificity and network processes, and as such, renders the application of a single case study as the most appropriate and often unavoidable. By using the single, embedded case study, the researcher aims to acquire various, different views by the informants about the network development of Greek tourism SMEs and eventually provide an explanation of whether this is triggered by perceived environmental uncertainty, a factor that few have considered before.

### **3.4. Unit of analysis and observation**

The specification of the appropriate unit or units of analysis is a key element of the design process of case research which eventually affects the decision about what case/s to study (Patton, 2014). The unit of analysis constitutes the major entity analysed in the study; in other words, it refers to the “what” or “whom” that is studied, is a context – specific choice depending on the research questions and the general research setting of the study (Fletcher and Plakoyiannaki, 2011). In his book, Patton (2014) mentions that units of analysis can be classified into several categories. One of these categories refers to structures and among other examples, includes the collaborations as a potential unit of analysis. Similarly, (Fletcher and Plakoyiannaki, 2011) propose that the unit of analysis could be a social interaction (for example dyadic relationships). An interesting point made by scholars (Fletcher and Plakoyiannaki, 2011; Ryan et al., 2012), is a misconception that may appear within case study research pertaining the confusion of the unit of analysis with the unit of observation which is the unit/s that a researcher actually observes and from which collects data about the unit/s of analysis.

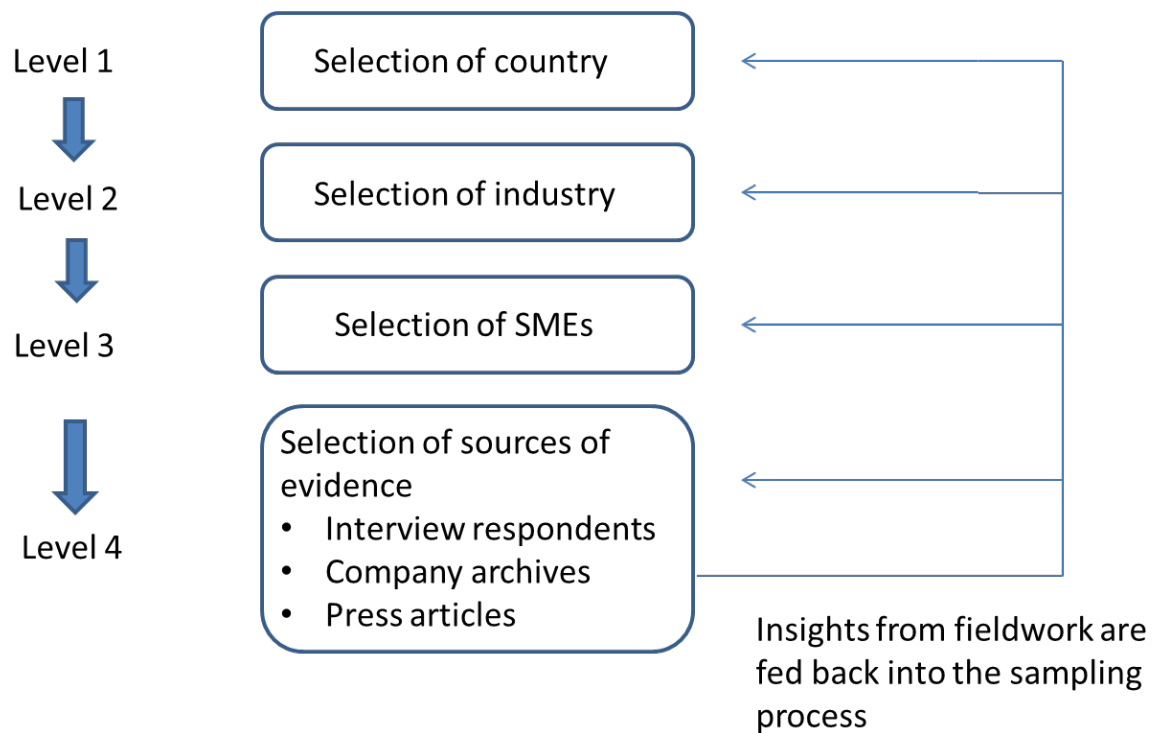
This thesis, following the example of other related studies in international business, for example Coviello's (2006) paper that investigates network dynamics in INVs, considers that the units of observation are the tourism SMEs and specifically their senior management (owners – managers) and the units of analysis are the development of inter – organizational networks. The study focuses on the extraction of valuable insights, perceptions from the units of observation (SMEs) regarding the environmental uncertainty and inter – organizational networks and thus will achieve an in – depth examination of the units of analysis from the perspective of SMEs.

### **3.5. Case selection**

In case study research, sampling is mainly purposeful; this thesis does not constitute an exemption and thus, the researcher applied the purposeful sampling which according to Patton (2014, p. 264) focuses on “selecting information – rich cases to study, cases that by their nature and substance will illuminate the inquiry question being investigated”.

This thesis utilises the “multilevel approach” of purposeful sampling which was proposed by Fletcher and Plakoyiannaki, (2011) to international business researchers. As the authors mentioned, this approach is useful for the examination of embedded international phenomena such as business networks. Based on this particular approach, the case sampling process extends to multiple levels which range from the selection of the country, industry, and sources of evidence; during this incremental process, researchers, based on informed decisions, may use more than one sampling strategy to identify the case/s and also the unit/s of analysis. In this regard, the researcher, taking into consideration Patton's (2014) list regarding purposeful sampling, employed several sampling strategies instead of a single one, in order to conclude to the single, embedded case study which could provide rich, deep understanding of the subject and breakthrough insights and eventually, function as an exemplar of the social phenomenon of network development. The following table illustrates the sampling process which has been applied in this research:

**Table 9: Multilevel sampling process**



Adapted by Fletcher and Plakoyiannaki, (2011, p. 182)

More specifically, the researcher applied the criterion sampling (Patton, 2014) in order to select the appropriate context (i.e. selection of country and industry) and also, the SMEs from which he could extract valuable insights regarding their network development. In regards to the first level, the researcher, sensitised by the literature, aimed to select a country in which 1) the SMEs are considered to be the backbone of its economy and play a vital role within it; 2) several significant changes, likely to have caused high uncertainty in the market, have emerged in late years. Bearing these criteria in mind, Greece was deemed to be an appropriate country where the research could take place, since based to SBA (2018), the non – financial business economy of Greece (which includes industry, construction, trade, and services) was comprised nearly exclusively by SMEs; in fact, the 99.9% of the total number of 821,540 enterprises within this domain fall into the category of SMEs (for more details, visit table 2, p.8). Compared to the EU – 28, the SMEs, and especially the micro – enterprises are more numerous and are of a great importance to the Greek non – financial business economy since they generate 63.5% of total value added and an exceptionally high employment share of 87.9%, surpassing the average of SMEs within EU which are 56.4% and 66.6% respectively (OECD, 2020; SBA, 2017; 2018; PwC, 2015). Also,



relatively recently, the country has experienced a deep economic crisis which lasted nearly a decade and alongside with other factors, such as the immigration “crisis”, have increased the volatility and uncertainty in the Greek business environment (BBC News, 2015a; 2015b; 2018; Euro – news, 2018).

Moving forward to the second level of the process and applying the same technique, the researcher aimed to select an industry which 1) is predominantly comprised by SMEs which have international activities; 2) is highly networked; 3) is characterised as volatile and uncertain due to many, sudden, unpredictable changes. At that point, the researcher reviewed two important industries of Greece which fulfilled these criteria; these were the shipping and tourism industries. Firstly, the researcher’s attention was attracted by shipping industry which constitutes one of the most significant industries in Greece, a central pillar to the economy of the country. However, as it will be discussed next, the researcher’s attention will finally shift to tourism industry.

In terms of shipping industry, the researcher, having reviewed the respective literature and reports, deemed that it was fulfilling the above criteria. Indeed, shipping industry is characterised as an increasingly complex and competitive industry where a lot of significant changes have occurred, especially the last decades (Clarksons, 2015; Fafaliou et al., 2006; Theotokas, 2007; Theotokas and Harlaftis, 2009). Furthermore, within this particular domain, firms appear to be highly networked at regional, national and international level; therefore a shipping company is part of a worldwide institutional framework which includes financial institutions, insurance companies, charterers, brokers, shipyards, ship-repairers, classification societies etc. (Harlaftis and Theotokas, 2004; UKTI, 2006).

In regards to the third level of the multilevel sampling approach, the researcher applied the following criteria, 1) the firm had to be Greek; 2) the firm had to have fewer than 250 employees according to the European Commission (2003) definition; 3) the firm had to belong to the shipping industry. The shipping SMEs were identified using the comprehensive “Greek shipping directory” (2016) which includes all Greek shipping companies and their details (e.g. type of enterprise, number of vessels, names of the CEOs and their contact details). Based on this directory, the researcher applied the key – informants sampling in order to identify people with great knowledge and influence who could provide valuable

insights on the inquiry subject (Patton, 2014); thus, the researcher reasoned necessary to approach the senior and/or middle management of these enterprises and also several experts (such as professors or advisors) of this sector in order to arrange a number of interviews. In this regard, 95 companies and also 10 organisations (e.g. universities) were contacted directly, requesting respectively a 45 minute interview with the SMEs' owners, CEOs or general managers and the key informants (e.g. professors). In total, 7 contacts agreed to take part in the research and respective interviews were conducted. The small number of replies and the general reluctance for participation, experienced within this industry, which inevitably would result to a limited, unsatisfactory number of units of analysis, led to the final decision to abandon the efforts on this particular industry and focus on the tourism industry. However, the shipping industry was used as a pilot study which helped on the exploration of the investigated concepts and at the same time, the conducted interviews functioned as a test of the interview protocol.

At this point, the researcher returned to the second level of the procedure in order to redefine the choice of industry and following, the choice of SMEs as well as the key respondents. Now, the researcher focused on tourism industry for the following important reasons. First, it is an also important industry for the Greek economy, contributing substantially to the GDP, employing one quarter of the country's total workforce (OECD, 2018b; PwC, 2018) and most importantly fulfils the above mentioned criteria regarding the selection of industry. Second, Greek tourism is considered to be a largely extrovert activity. In fact, the diverse Greek tourism product is export – based by 90% and is offered mainly by SMEs whose activities depend to a great extent to the domestic and international inter – organizational networks (E&Y, 2020). According to SETE (2013), a plethora of SMEs provide a wide variety of tourism services; specifically, in December 2013, it was estimated that a total of 9,670 official accommodation units, 30,000 self-catering accommodation units, about 26,500 restaurants, 3,855 travel agencies and coach rentals and 4,560 car rental firms were operating throughout the country (SETE, 2013; Sotiriadis and Varvaressos, 2015). Based on these facts, the researcher would have the chance to investigate the inter – organizational networks of highly internationalised SMEs. Third, in recent years, the Greek tourism SMEs experienced, due to the financial crisis and other factors (e.g. political turmoil in Turkey), many sudden changes at several levels of their external business environment

that increased dramatically the sense of uncertainty and affected adversely their operation (Papatheodorou and Arvanitis, 2014; Pappas and Papatheodorou, 2017; SETE, 2017; The Economist, 2019; The Independent, 2015; To vima, 2015). Thus, the researcher expects that the Greek Tourism SMEs have changed their networks in response to the perceived environment uncertainty thereby presenting an ideal setting for examining the links between PEU and network development.

In regard to the third and also fourth level, the researcher applied similar criteria as in the case of shipping industry. However, having gained insights from the fieldwork done so far (the pilot study of shipping industry), aimed to identify a number of SMEs which seemed to be extroverted and thus more willing to share information about their activities in regards to their networks. This was achieved by visiting tourism magazines, online tourism pages – blogs and finding interviews that were conducted with managers – owners of tourism SMEs. Also, the researcher addressed to several national and regional – tourism associations (such as the Chios hoteliers association) and asked for recommendations for SMEs which would show more interest to participate in the research. At this stage, five contacts agreed to take part in the research and equal interviews were conducted. Following, the snowball sampling strategy was applied and those interviewees were asked for additional relevant contacts. This led to the participation of thirty four interviewees in total (specifically, thirty interviews were conducted with managers – owners of SMEs and four interviews with managers of organizations, relevant to tourism industry).

The Greek tourism industry constitutes an interesting case study since it fulfils the above mentioned criteria which have been informed by the literature. The in depth examination of the tourism SMEs can manifest the significant dimensions of their network developments which have been triggered by perceived environmental uncertainty.

### **3.6. Access to interview participants**

The process of accessing a satisfactory number of SMEs in order to achieve data saturation constituted a challenging and time – consuming task during the data generation phase. This occurred since the application of the case study strategy in this thesis was highly dependent on key informants (such as owners, CEOs), recognised by several researchers as “elites”

(Harvey, 2011; Mikecz, 2012; Welch et al., 2002) to whom access is regarded as particularly difficult due to the barriers they have established in order to protect themselves for intrusion and criticism (Empson, 2018; Mikecz, 2012). Within the international business literature, an elite interviewee is viewed as an informant who occupies a senior or middle management position, has considerable industry experience and international exposure (Welch et al., 2002). In this regard, these informants are considered to be responsible for the strategy design of SMEs and therefore for the development of their inter – organizational networks.

In this thesis, the access to interview participants can be distinguished to two phases, the first phase refers to the pilot case study which was conducted in the shipping industry during the period of June 2016 – January 2017, and the second phase refers to the actual single case study which was conducted in the tourism industry during the period of July 2017 – December 2017. In both phases, the researcher applied several strategies (Empson, 2018; Welch et al., 2002) in order to gain physical access to the desired interview “elites”.

Before attempting to gain physical access, the researcher firstly, aimed to familiarize himself with the characteristics of each enterprise and eventually identified the key informant (Welch et al., 2002). It is important to note that, through this procedure, the researcher managed to gain knowledge related to the SMEs network which helped him on the generation of probing questions during the interviews with the participants. Secondly, the researcher attempted to develop new contacts that could facilitate the access to SMEs and specifically to the “key informants” (Welch et al., 2002). Thirdly, the researcher deemed necessary to construct an access letter, an information sheet and also a confidentiality agreement which were sent to all the intended participants. These documents outlined to the intended participants the nature of the research project and provided them a clear account of the purpose and type of access required (Robson and McCartan, 2016; Welch et al., 2002). In other words, the aim of these documents was to lift any possible cautious attitude on the part of the participants. Taking this into consideration, the researcher avoided the complicated terminology and preferred the use of suitable language (e.g. use of word “conversation” instead of “interview”) (Taylor et al., 2015); highlighted how the person being contacted might be able to help in the research; clarified the requirements of

the study and what is likely to be involved in participating; provided assurances in terms of confidentiality – anonymity and of the maintenance of a specific, not disruptive but necessary, time frame for conducting the interview; and also pointed out the potential benefits for the participant’s organization and the offer of a report summarising the findings. Fourth, during the effort of gaining access, the researcher “allowed sufficient time” before sending further correspondence at the occasions when he didn’t receive an immediate response from the intended participants. In that way, the researcher wanted to avoid being offensive and consequently receive a refusal by the enterprise; thusly, he allowed time for the request to be received and considered. Also, being aware that the contact with the right person may necessitate several telephone calls or emails, the researcher further enhanced his patience and perseverance in order to achieve access. At the same time, the researcher provided a number of different contact methods (such as telephone, mobile phone, university email, personal email) in the written requests for access in order to facilitate the replies by the part of interested participants.

#### **Phase one – shipping industry (pilot case study) June 2016 – January 2017**

As discussed earlier in this section, during the pilot study, the familiarization with the characteristics of each company and the identification of key – informants was achieved with the use of the “Greek shipping directory” (2016). This directory has enlisted in alphabetical order all the Greek shipping companies and also contains details about their activities, size, network partners and senior – middle management. This information have been very helpful and enabled the researcher to identify the right companies and the right informants (based on the established criteria mentioned in section 3.5). In the next step, an email with the necessary documents (access letter and information sheet) was sent to the intended informants as an effort for introduction of the research project and the researcher himself. The researcher had the advantage to send this email to the informants’ personal email addresses which however, in several occasions, was proved to be managed by the informants’ personal assistant (secretary). Thus, in conclusion, the initial advantage proved to be weak or even a burden since by – passing the personal assistants, who constituted the “corporate gatekeepers” and first scrutinize the introductory emails, was in reality an added challenge to the overall endeavour of access and verified to some extent that approaching the elites of an organization is consider a difficult task (Empson, 2018; Mikecz, 2012).

At this level, the researcher had approached 95 shipping companies by email. After sending these emails, the researcher, then allowed sufficient time in order the intended participants to consider without feeling pressure his request for access. Up to that moment, the vast majority of enterprises had not replied at all in the invitation and a few exceptions, not willing to participate in the research, had sent a negative answer. The next step of the process involved a follow up email to the companies that had not provided a reply yet. At the same time, the researcher attempted to establish new contacts that due to their position were likely to grant access to some companies (Empson, 2018; Mikecz, 2012) and also could participate in the research as experts of the field, providing valuable insights and corroborating the evidence from the other sources. Therefore, the researcher approached, again through emails, a number of organisations, namely specific departments of universities (such as the department of maritime studies of Piraeus) and multinational companies (such as the KPMG and E&Y) related to Greek shipping industry. Interestingly, the intended new contacts – informants mentioned that access in shipping companies is a difficult, nearly impossible, endeavour since these particular companies are “closed to outsiders”. This explains the result of the so far endeavour, which were in total five responses, specifically three informants (owners of small shipping companies) and two informants (a lecturer and a director in the shipping department of a multinational company) agreed to participate in the research; by October 2016, five interviews had been conducted.

Despite the daunting (discouraging) results, the researcher proceeded to the next step of the access process and followed – up each email through telephone calls in order to elucidate a response. This effort resulted to two additional informants (the COO and the operations manager of two shipping companies) agreeing to participate. By January 2017, seven semi – structured interview had been conducted. At this point, the researcher considering the disproportion between the efforts done so far (time and resources spent) and the required number of interviews and after a thorough discussion with his supervisors, decided to turn his interest in another industry and abandon shipping industry which however was used as a pilot study.

## **Phase 2 – tourism industry April 2017 – November 2017**

In this phase of the access process, the researcher, given that was an outsider for the tourism SMEs just as was also considered by the shipping companies, and having gained related experience from the pilot study, decided to give more attention in the establishment of new contacts (Empson, 2018; Mikecz, 2012) that could help him penetrate tourism SMEs and consequently approach the respective elites. Therefore, the steps of the process slightly changed and at the beginning more emphasis was given to the contact with tourism Associations (such as SETE) from which, the researcher requested lists with tourism SMEs and recommendations to whom key informants should address to. Also, the researcher, through email, provided to these associations, the access letter and information sheet and requested if it was possible to be distributed within the organization, knowing that their boards and generally their members constitute owners – managers of tourism SMEs. Additionally, in several occasions, the researcher conducted visits on site (in the associations located in Athens) or contacted through telephone (associations located in other cities, such as Chios) with the relevant “gatekeepers” in order to provide further elaboration of the nature and purpose of the project which in turn was about to be communicated to the members of the association. By May 2017, as a result of this endeavour, seven elites (five owners – managers of tourism SEMs and two managers from tourism associations) expressed their interest to participate in the research and by June 2017, equal interviews had been conducted.

As a next step which took place almost simultaneously with the aforementioned efforts, the researcher sent an email including the documents of access letter and information sheet to 70 tourism SMEs (mainly hotels and travel agencies). Again, the researcher allowed sufficient time in order the intended participants to consider without feeling pressure his request for access. Interestingly, as happened in the instance of shipping industry, the response rate was extremely low and the received responses were negative denying the access. Because of that, the researcher followed a different route in the identification of elites and, through tourism magazines and online blogs, found a number of elites of tourism SMEs who seemed to be more extroverted and open since they have given interviews in regard to the activities of their enterprises. More intensive, but as always not disruptive, efforts have been applied to the intended informants who were contacted via email and

telephone calls and were invited to participate to the research. In that way, the researcher managed to significantly increase the number of participants and by the end of August 2017, twenty interviews in total had been conducted. From this point and onwards, the snowballing technique was applied by the researcher and consequently the number of participants increased further by fourteen elites and finally reached the total number of thirty – four participants (see appendix 7 for list of participants with pseudonyms). This was achieved by the contribution of the existing participants who, due to snowballing, suggested – introduced the researcher to several colleagues of theirs. Compared to shipping SMEs, the tourism enterprises were more open and in most occasions the contact with the elites of the companies was straightforward and relatively immediate.

### **3.7. Case Data Sources**

This section outlines the methods that have been used in this study for the collection of information. Following Yin (2009) and Patton (2014), the research used multiple data collection sources to investigate the influence of perceived environmental uncertainty on the development of tourism SMEs' networks. Specifically, two data sources were used: interviews and documentation/archival records (because of their similarities, documentation and archival records are viewed as one source of data). The use of multiple sources of evidence enabled the researcher to address a broader range of historical and behavioural issues and also to achieve triangulation which will be discussed in a later section (Patton, 2014; Qu, and Dumay, 2011; Voss et al., 2016; Yin, 2009).

#### **Semi – structured interviews**

Interviews were the main method for data generation in this study. The researcher conducted thirty – four semi – structured, in – depth interviews with the senior and middle management of SMEs within tourism industry. The majority of interviews, namely nineteen interviews took place in the city of Athens but the researcher had to travel and visit other cities in order to conduct the rest interviews; specifically, nine interviews were conducted in Chios Island, four in Sparta city, one in Paxoi islands and another one in Leykada Island. The use of interviews was justified by the following reasons. First, the researcher views the world through the prism of critical realism and as such, ontologically, assumes that the



perception of events and objects (in the empirical level) are interfered through the filter of human experience and interpretation. In this regard, the researcher believed that the use of interviews could give the opportunity to better grasp and reveal the participants' perceptions and interpretations about the investigated phenomena, namely the environmental uncertainty and the development of their inter – organizational networks (Coviello, 2006; Fletcher, 2017; Qu, and Dumay, 2011).

The interviews have been frequently used by several researchers (for example, Coviello, 2006; Kontinen and Ojala, 2011; 2012; Sepulveda and Gabrielsson, 2013; Wegner et al., 2018) who investigated the particular aspect of network development of small enterprises, since this method is deemed to be appropriate to capture in more details the complex and dynamic nature of inter – organizational relationships. As stated before, the purpose of this study is twofold, namely to explore and explain the causal relationship between the entities of environmental uncertainty, the SMEs and their inter – organizational networks. Hence, the researcher believed that interviewing with key informants (senior and middle management of SMEs and experts within tourism industry) could generate a significant exploration into if environmental uncertainty triggers network development and an explanation into how and why this evolvement is happening. By contacting and interviewing the key informants in SMEs along with the managers from other tourism organizations (e.g. Greek tourism confederation), the researcher gets the opportunity to talk to the right person who has the knowledge, expertise and is involved to a great extent (likely deciding entirely) in the development of inter – organizational networks (Coviello, 2006; Kontinen and Ojala, 2012; Sepulveda and Gabrielsson, 2013). Furthermore, through the interviews and the personal, face to face contact with the participants, the researcher managed to apply the snowball sampling technique which was discussed earlier on. The interviewees – particularly the initial ones – played the role of referral agent throughout the access course and suggested colleagues (managers – owners of other tourism SMEs) of theirs who were willing to participate in the research.

All of the interviews were semi – structured and the majority of participants belonged to the senior management, namely owners and general directors with a few exceptions from the middle management, namely the operations managers; the interviews with the operations managers happened when the owners or general managers of few tourism enterprises were

not available and thus could not participate in the research. Nevertheless, all interviewees had direct involvement in the major aspect of the inter – organizational networks, including making changes to their networks.

### **Documentary evidence**

The second source of evidence used in this study was documents and archival records including reports from Greek tourism Associations (e.g. SETE), as well as global tourism organizations (e.g. WTTC), articles in newspapers and magazines and also announcements – notes of the participating SMEs. This type of information was available in the Internet and accessed via the websites of the respective organization.

These documents constituted a useful source of information that helped the researcher to acquire valuable insights on the context for the participating tourism SMEs (Voss et al., 2016). For example, the analysis of the Associations' reports provided information about the current situation of tourism SMEs, their progress over the last years and the difficulties that have emerged due to the deep economic crisis and other important incidents related to several domains of their business environment (such as the attempt of coup d etat in Turkey). Also, these reports along with the announcements – notes in the companies' websites, denoting the activities of the SMEs, enabled the researcher to outline basic collaborations with international and domestic partners and thus understand to a significant extent several characteristics of their inter – organizational networks. These documents formed part of the preparatory work before the interviews took place as potential line of inquiry and discussion with the participants.

Furthermore, the documentary evidence has been used for corroborating and augmenting the data collected from the interviews (Yin, 2009). For example, newspapers and magazines clippings allowed the validation of events (e.g. immigration crisis) which considered as starting points of environmental uncertainty and discussed in the participant interviews. Further, they described how the uncertain environment could adversely affect the performance of tourism SMEs and eventually their collaborations with certain partners (e.g. stoppage of collaboration with big tour operators). Overall, the aforementioned documents, based on several incidents, provided insights in the increasing environmental uncertainty

within tourism industry and its role on the development of the SMEs inter – organizational networks.

### **3.8. Interview design, preparation and management**

#### **Interview guide design**

As it has been mentioned earlier in the previous sections of this chapter, thirty-four main interviews have been conducted within the tourism industry and seven pilot interviews have been conducted in the shipping industry (pilot study). All these interviews were implemented through the semi – structured format and involved the preparation of a set of predetermined questions which was guided by identified themes in a consistent and systematic manner (Perry, 1998; Qu and Dumay, 2011; Yin, 2009). This means that the researcher gave particular emphasis in the construction of an interview guide which covered three core parts: 1) an overview of the research, 2) the field procedures and ethical concerns (length of interview, tape recording, confidentiality), 3) thematic areas of discussion (three main themes and also a list with the questions that were to be explored during the course of each interview).

This interview guide (see appendix 3) ensured that a structure was built into the data generation process and therefore the same basic lines of inquiry would be pursued with each interviewee (Patton, 2014; Qu and Dumay, 2011). The researcher created the thematic structure of the protocol through several steps: first by reviewing extensively the literature on perceived environmental uncertainty and network development and secondly by reviewing the conducted interviews of the pilot study. In that respect, initially, the three thematic areas were based on Milliken's (1987) specific concepts of perceived environmental uncertainty and on Koka's et al. (2006) theoretical propositions regarding network development. Having developed three main thematic areas (or subject areas) in the interview guide, the researcher had the opportunity to build a conversation within a particular (predetermined) subject, to create and sequence questions, to word questions spontaneously and in that way to delve into more depth. Therefore, the phenomenon under investigation, namely the network development being triggered by PEU, could be illuminated and elucidated more comprehensively by the interviewee (Patton, 2014).

However, after the pilot study, the interview guide was refined substantially, since, as it emerged from the seven pilot interviews, more attention should be paid on the patterns of network development due to perceived environmental uncertainty and also more questions regarding the current networks of SMEs should be added on the introductory part of the interview. Therefore, the network literature was revisited and the respective thematic area (theme C) in the interview guide was expanded, resulting in greater consideration of other important aspects of network development apart from the structural (Hernandez and Menon, 2019; Jack et al., 2010; Koka et al., 2006), for example, the development on the exchanged content between partners (Ahuja et al., 2012; Hoang and Antoncic, 2003; Hoang and Yi, 2015; Coviello, 2006) and the strength of ties that connect the partners (Kontinen and Ojala, 2011; Söderqvist and Chetty, 2013). In addition, after the test on the pilot interviews, the introductory section of the interview was also expanded and instead of being limited to introductory questions “about you and your role”, became “wider” and included questions regarding the current networks of SMEs; the emerged answers provided valuable information and that helped further on the understanding and investigation of the network development. The final interview guide served as a checklist during the main interviews and based on that, the researcher made sure that all relevant topics were covered as the conversation with the interviewee was progressing (Patton, 2014).

### **Interview preparation**

Careful preparation was essential to avoid any issues on the quality of data obtained in the interviews and therefore achieve a successful interview. In this regard, the researcher deemed necessary to be adequately prepared for the interview with each participant (organization). For this pre – interview preparation, three key measures were taken into consideration; 1) to be knowledgeable about the organizational context, 2) to supply relevant information to the interviewee, 3) to conduct the interview in an appropriate location. These will be discussed in turn.

In terms of the first measure, the researcher conducted a prior research for each SME participating in the research and the respective interviewee in order to gain knowledge about the organizational context (Welch et al., 2011). This research was conducted mainly through the Internet and involved reading of journal articles (in occasions, local newspapers), research on the websites of the companies and online blogs – pages related to

the Greek tourism industry. In that way, the researcher aimed to obtain any baseline information about the organization (activities of SME, background of the key informant), its external business environment (major changes – problems) and inter – organizational networks (identification of main partners) (Fletcher, 2017). By drawing on this type of information, the researcher was able to demonstrate credibility, assess the accuracy of interviewees' responses and also encourage them to be more descriptive and elaborative, providing more details on the topic under discussion (Voss et al., 2016; Yin, 2009).

Also, at least a week prior the conduct of the interview, certain relevant documents were supplied through email to all the participants. These documents included the interview guide (discussed in more details in the section of interview design), the information sheet, the research consent form, and the confidentiality agreement (if requested). By providing this type of information (e.g. interview guide with the list of the intended areas of discussion) the researcher aimed to reinforce the aims of the study, to inform the participants about the information required for this research and also to allow them to prepare themselves for the discussion in which they were about to engage (Patton, 2014; Voss et al., 2016).

In addition, the researcher took into great consideration the impact that the location of the interview might have upon the participants and their responses. Therefore, the researcher was inclined to leave this decision to the interviewees and adapt to their preferences. This involved travelling in several cities in Greece (e.g. Chios Island and Sparta city) and visiting the informants in the location of their choice (mostly in the offices of their enterprise); for that reason, the researcher was prepared to allocate the necessary resources. The appropriate location would most likely ensure the smooth conduct of the interview since the informant could feel more comfortable and undisturbed.

### **Interview management**

All interviews from both, the main and pilot studies, were face to face and involved the senior or middle management of SMEs and associations – organizations operating within the Greek tourism industry. As mentioned before, the researcher, willing to ensure the comfortability of participants, accepted to conduct all interviews at a convenient location and time which were suggested by the participants – thus, the vast majority of the

interviews took place at the premises of their enterprise, however there were two exceptions; two owners of tourism accommodations suggested to arrange the meeting in central cafes in Athens.

The interviews were in semi – structured format which, due to their flexibility and accessibility, allowed the researcher to unearth important aspects of managerial behaviour and in that way to explore and also update the existing literature of the SMEs' network development (Fletcher, 2017; Qu, and Dumay, 2011). All interviews were conducted in the Greek language to allow the informants to better express their thoughts and experiences. The semi – structured format followed the conversation approach (Kvale and Brinkmann, 2009) and therefore the interviewer could engage with the respondent “in a fluid interactive process to generate a set of responses which formulate perspectives, observations, experiences and evaluations” (Smith and Elger, 2014, p. 119). Through this conversational style, the researcher aimed to build a rapport with the respondents and show to them that their knowledge and experiences are very important for the study; just to note that rapport was also being built, through emails or telephone, during the process of contacting – arranging with the intended participants (Patton, 2014). The fluid conversation, in conjunction to the comfortable location where the interviews were taking place and the ongoing establishment of rapport, allowed to the participants to be more open and thus to provide detailed information (Kvale and Brinkmann, 2009; Patton, 2014) about the context of tourism industry, to express their perceptions about the types of environmental uncertainty (Milliken, 1987) and their effects on the development of their inter – organizational networks in terms of their structure, exchanged content and relationship reinforcement (Hernandez and Menon, 2019; Koka et al., 2006; Kontinen and Ojala, 2011; Söderqvist and Chetty, 2013). In that way, the researcher was able to explore and dig deeper in the causal powers – liabilities and eventually the causal mechanisms of the participating tourism SMEs and their networks, which have been triggered by the three differential types of perceived environmental uncertainty and led to several patterns of network development (e.g. reinforcement of relationships between the SMEs and their partners).

In each meeting, before the initiation of the interview, the researcher commenced with a short introduction of his background along with an outline of the aims of the study and the

issues of confidentiality. Although the related documents (e.g. information sheet, interview guide) providing information to the participants were already sent to them prior to the interview, the researcher felt necessary to apply this short introduction in order to reduce any anxieties from the side of participants, by clarifying any possible concerns of theirs in regard to the nature of the required data (information) and the matter of confidentiality. At that point, the researcher aimed to gain, verbally or in writing (signed), the interviewees' consent for participating in the study; following, having their permission would start the audio – recording of the interview. At the beginning but also during the process of interviewing, the researcher reminded to the informants that they could ask any questions if needed further clarification in an issue.

*“You can interrupt and ask whenever you do not understand something during the interview, there is no problem...” interviewer’s reminding note in the interview with company no.1*

The interviews were based around four broad areas which the researcher explored in more details according to the respondents' answers. These areas included the “introductory questions”, and the three main themes, “external business environment of tourism SMEs”, “perceived environmental uncertainty” and “development of inter- organizational network”. As it was explained to the informants, the three main themes were the specific areas that required more emphasis and perhaps these could be revisited at several points during the conversation.

In each interview, the participants were firstly asked to describe the activities of their enterprise and explain their current role and responsibilities. This type of questions enabled the participants to settle into a comfortable conversation, speaking about themselves and reduced any possible anxiety. Next, still within the same (introductory) area of discussion, the participants were asked to describe the networks in which their enterprises were at that moment involved. These questions enabled the researcher to gain valuable insights about the current architecture of the SMEs' networks, namely, to better understand their portfolio size and range, for example the number of partners (Hernandez and Menon, 2019; Koka et al., 2006); whether they are currently connected with their partners with strong or weak ties (Granovetter, 1973; Hite, 2005; Söderqvist and Chetty, 2013); and the resources that SMEs

exchange with their partners (Coviello, 2006; Musteen et al., 2014). These particular participants' responses constituted the start base for the in-depth investigation of the networks development triggered by perceived environmental uncertainty.

*"...now could we talk a bit about your current network, the collaborations that you have with your agents, suppliers..."*

*"...could you please tell me about the network of the company, collaborations that you might have with other companies?"*

Following, based on the first main theme of the interview guide, the participants were asked to describe the external business environment in which their enterprises have been operating, to identify the domains from which it is comprised and also to characterise it. At this point of the conversation, the interviewees were providing information about several events – changes (e.g. increase of taxation and immigration crisis) that have emerged in late years within several external environmental domains and thusly, they were disclosing their first thoughts regarding environmental uncertainty. Following up the identified events – changes, the researcher proceeded to more specific questions about environmental uncertainty which helped him address the first question of this thesis. The provided responses enabled the researcher to explore deeper the participants' perceptions about uncertainty in relation to certain environmental domains (e.g. political, socio – cultural domains) and more specifically to identify the dominant type/s of environmental uncertainty (Milliken, 1987) experienced by the participants; this information was related to both the first and second research questions of the study. Then, to explore the network development, the participants were asked to link their experiencing environmental uncertainty to the fulfilled actions pertaining their collaborations within the inter – organizational networks. This provided a route of enquiry regarding the structural and interactional patterns of network development and enabled the researcher to address the third research question of the thesis. More specifically, the questions of this section allowed the participants to explain in detail certain actions of development that, through the SMEs, were applied in their networks due to environmental uncertainty; for example, the dissolution of relationships with a number of international partners and the creation with



new ones, and/or the conversion of weak relationships to strong, and/or the exchange of more intangible resources.

It is important to note that the sequence of the thematic areas and consequently the respective questions emerged differently in each interview. In several occasions, the questions were not asked in the order determined in the interview guide since certain informants, in the flow of discussion, could “jump” interchangeably from one thematic area to another or referred to two, or even three, thematic areas simultaneously. However, the researcher, by keeping notes during the discussion and revisiting the “neglected” topics, made sure that questions in all the thematic areas were answered to an adequate extent. Moreover, there were a few informants who tended to “withdraw” at certain points during the interview. In these occasions, the researcher used tenacious (up to an extent) probing questions (Patton, 2014) in order to alleviate long pauses, to avoid short answers and in a way to “re-spark” the conversation. However, the overall “openness” of the informants, particularly those in tourism industry, was satisfactory and generally, the conversations were conducted in a friendly, pleasant atmosphere resulting in the generation of rich data.

### 3.9. Data analysis

The data analysis in this thesis follows the critical realist view of causation as presented by Sayer’s (2000) and then re – presented by Easton (2010) which is based on the critical realist conception of the world distinguishing the reality in three domains, the real, the actual and the empirical. The following table outlines the steps taken during the process of the data analysis:

**Table 10: Process of case analysis**

<p><b>Development of conceptual framework: Identification of initial coding themes from the literature review</b></p>
<p>Network internationalization theory and Milliken’s concept of PEU Inter - organizational networks Network development Perceived environmental uncertainty</p>



<b>First level of coding: categorisation of data to main themes</b>	
<p><u>Main themes</u> Introductory External business of environment Perceived environmental uncertainty Network development</p> <p><u>Event identification:</u> Changes in the external business environment (e.g. increase in taxation, emergence of immigration "crisis", deep economic crisis)</p> <p>Changes in the architecture of the SMEs' inter - organizational networks (e.g. developments in terms of structure, exchanged content, strength of relationships)</p>	<p><u>Entities:</u> Tourism SMEs Structure: senior - middle management, employees</p> <p>Inter - organizational networks Structure: tourism SMEs, domestic - international partners</p>



<b>Pattern analysis: emergence of sub – themes/identification of causal mechanisms</b>	
<p>Perceived environmental uncertainty e.g. State uncertainty - unable to predict the organizational environment or a component of it</p>	<p>Network development e.g. dissolution/formation of ties, reinforcement of relationships, exchange of information - knowledge</p>



<b>What caused the events to happen</b>
<p>Identification of conditions that activated certain causal mechanisms e.g. high state PEU on the political domain triggered dissolution/formation of ties, high response PEU on the governmental domain triggered the exchange of support/help</p>

In keeping with critical realist ontology, the researcher used an abductive coding process in order to firstly identify at the empirical level certain events as well as tendencies (the so – called “demi regularities”) and then, at the actual and real levels, to explain, through

abduction and retroduction analysis respectively, the causal mechanisms and their outcomes under specific conditions (Fletcher, 2017; Morais, 2011; Vincent and O'Mahoney, 2018). Therefore, the researcher, being informed, mainly, by the literature, developed pre – categories and their respective codes which enabled the condensing and ordering of the data. For example, based on the network internationalization theory (Johanson and Mattsson; 1988; 1992; Johanson and Vahlne, 1990), the researcher created codes referring to the inter – organizational networks and their structural or interactional development, such as the initial codes of “network structure” and “relationship development” and following, the emerging sub – codes such as “dissolution of ties” and “reinforcement of ties”. Similarly, based on the literature of PEU (Milliken, 1987; McKelvie et al., 2011; Regan, 2012), the researcher created the codes of “state PEU”, “effect PEU” and “response PEU”. It is important to note that during the coding process, the codes, created in all levels of the analysis (which will be discussed further below) have been reviewed and refined several times through an iterative process. This refinement process enabled the generation of more finely grained categories as well as subcategories that were induced from the literature and also the data. For example in the introductory theme, the initial code of the 1st level of coding, namely “general info about the company”, after the review and refinement, changed – broken down to three codes, namely “company’s background”, “participant’s background” and “current network”. Similar changes on the codes and break downs to sub codes also occurred in the other themes, such as in theme C “network development” where the initial code “network shrinking” changed to “deletion of existing ties (permanent or temporary)” (see appendix 6). During the analysis process, memos were also written in order the researcher, as Saldaña (2015) mentions, to document his own reflections and thinking processes in terms of the selection of codes and their operationalization, the emergent themes, concepts and patterns that all finally lead to answering the three research questions of the thesis (see appendix 6).

At the first stage of the data analysis, the researcher aimed to organise the data into the broad themes associated with perceived environmental uncertainty, external business environment and network development. This process involved several steps starting with the full transcription of the interviews; then, the careful, line by line review on the data, meaning a constant reading of the participants’ interviews for the identification of key

words and events; then, the attachment of the related codes to data chunks, namely to phrases, sentences or to sometimes full paragraphs; and finally the taxonomy of the latter in particular categories. Very importantly, in this stage of the process, the documentary evidence (see section 3.7) used in the preliminary work prior to the interviews, played vital role since these enabled the check of the discussed events and thus enabled the assessment of the participants' responses. Through this procedure, the researcher identified events including certain changes (e.g. taxation increase) that have emerged in late years in several environmental domains and caused the participants to experience high environmental uncertainty and also the changes that occurred in terms of the inter – organizational networks (e.g. structural developments). The emergence of those events revealed the causal powers and liabilities that necessarily obtain the entities involved in the study (Easton, 2010; Ryan et al., 2012); for example, the SMEs, the entity which internal structures include the senior – middle management and a number of employees, have the causal power to influence their inter – organizational networks either in terms of their structure or interactional aspects.

At the next stage, pattern codes, such as “access to new markets” and “exchange of information” were used in the search of causal mechanisms associated with the identified events and the entities' causal powers – liabilities. At this point, the researcher, following the abductive logic, aimed to identify the mechanisms a priori or posteriori; meaning that mechanisms could emanate “from the theoretical pre – understanding as well as from surprises or unexplained aspects arising from the data” (Ryan et al., 2012, p.307). In that respect, the researcher used detailed sub – codes that emanated from the literature review but also emerged from the obtained data (see appendix 6). For example, informed by the literature, the structural development of networks was further broken down to the patterns – processes of dissolution/formation of ties (Hernandez and Menon, 2019; Jack et al., 2010; Koka et al., 2006); however, the data further revealed that the literature lacked consideration of particular aspects of networks' structural developments, for example, in some occasions, the generative mechanism of ties dissolution could be more detailed and characterised as temporary or permanent.

After the completion of the pattern coding, the analysis moved to the retrodution phase where the researcher, in line to the intensive case study research (Sayer, 2000), focused in

causal explanations – moving from the “what” to the “why” (Morais, 2011; Vincent and O’Mahoney, 2018). At this point, the researcher aimed to identify the contextual conditions that activated the particular mechanisms (e.g. strengthening of relationships) which in their turn produced the respective events (e.g. inter – organizational relationships development) on the networks. Specifically, the researcher, taking into consideration the equation “mechanism + context = outcome” (Vincent and O’Mahoney, 2018, p. 205) aimed to identify the possible linkage between the three types of perceived environmental uncertainty and the unearthed causal mechanisms of the SMEs that led to the development of their networks. This procedure revealed that specific conditions, namely specific types of perceived environmental uncertainty, triggered several causal powers of the tourism SMEs which through the generative mechanisms caused the development of the inter – organizational networks in structural and interactional level.

### **3.10. Triangulation**

A major strength of the data collection process in case study research is that of triangulation, that is the opportunity to use a combination of multiple, different sources of evidence (Voss et al., 2016; Yin, 2009). The logic of triangulation lies on the assertion that “no single method ever adequately solves the problem of rival explanations” (Patton, 2014, p. 661) and therefore, the weakness of a single method/source can be counter balanced by the strength of another. In this thesis, the researcher applied the type of triangulation of multiple qualitative data sources proposed by Patton (2014) which aims to compare and check out the consistency of information derived by different means (e.g. interviews and documents) and thus leads to the illumination of several aspects of the phenomenon under study. In this regard, the researcher used three sources of data: 1) semi – structured interviews with senior – middle management of tourism SMEs, 2) semi – structured interviews with tourism experts, 3) documents and archival records.

As discussed in the previous sections of this chapter, the senior – middle management of the SMEs constituted the primary informants, chosen because of their direct involvement in some aspect of the inter – organizational networks and most of them could affect their development with their decisions; therefore, these interviews were considered to be the main form of data collection. Nevertheless, similarly to other studies investigating network

dynamics (for example, Coviello, 2006; Kontinen and Ojala, 2011; Sepulveda and Gabriellsson, 2013), two further sources were taken into consideration to verify the primary informants' reports. The first one involved the addition of interviewees from the context of the case and therefore the researcher conducted interviews of the same format with "experts" (such as government advisers and industry association management) of tourism industry (Perry, 1998). This allowed the comparison of perspectives of people from different points of view and aimed to verify the patterns observed in the main interviews (Sobh and Perry, 2006). The second step involved the review of documentary – archival evidence which obtained from the Internet and specifically from the websites of tourism SMEs and other, related to tourism industry, organizations (such as WTTC and Greek tourism Associations). By checking the written evidence against the interviews, the researcher was able to corroborate the interviewees' reports (Patton, 2014). The triangulation of the above – mentioned sources of evidence contributed significantly to the overall credibility of the findings.

### **3.11. Integrity of the case study strategy**

In case study research, as in every empirical social research, it is particularly important to pay attention to the quality of the research design. For that reason, in this study, four criteria, namely construct validity, internal and external validity and reliability, have been applied to establish the quality in the methodological procedures of the used single case study research strategy. These four criteria are commonly used in the positivist tradition for the assessment of rigor of field research, however, they have been also adapted in case studies (Gibbert et al., 2008; Ji et al., 2019; Voss et al., 2016; Yin, 2009). According to Yin (2009), each of the four criteria/tests can be addressed with the use of specific tactics which should be applied throughout the conduct of the case study and not only at the beginning. These four criteria and their respective tactics used in this study will be discussed in turn:

#### **Construct validity**

The construct validity of a procedure refers to the quality of the conceptualization and operationalization of the concepts being studied. This quality criterion needs to be considered during the phase of data collection and essentially refers to the extent to which

a study investigates what it claims to be investigating (Gibbert et al., 2008; Yin, 2009). According to Yin (2009), there are three tactics that can enhance construct validity in qualitative research; these are 1) the use of multiple sources of evidence, 2) the establishment of an evidence chain and lastly 3) to have the draft case study report reviewed by the key informants. In this study, the researcher applied the first two tactics to increase construct validity. The first tactic that has been used was the triangulation of multiple sources of evidence according to which, as discussed earlier, the researched used three different data sources in an effort to achieve the convergence of evidence and examine the same phenomenon from different angles. In addition, the second tactic that has been used was the establishment of a chain of evidence. Following the main principle of this tactic, the researcher provided a careful explication of the data collection and analysis procedures and therefore created explicit links among the questions asked, the data collected and the conclusions drawn. In that way, an external observer, the reader will be able to follow the derivation of any evidence from the initial stage of the research questions to the final conclusions and trace the evidence in either direction. In terms of the third tactic, the review of the case study report by the key informants was not applicable in all the SMEs since it was considered to be time demanding; therefore it was rejected and not applied in this study.

### **Internal validity**

The internal validity is a concern for explanatory case studies and refers to the establishment of a causal relationship between the variables and the results (Yin, 2009). This particular criterion applies to the phase of data analysis and has to do with the construction of a plausible, powerful causal argument based on which a researcher can defend the research conclusions (Gibbert et al., 2008; Welch et al., 2011). Since this study has also an exploratory purpose, the researcher aimed to ensure internal validity with the application of two tactics suggested by Yin (2009); 1) a clear research framework and 2) pattern matching. In terms of the first tactic, the researcher, as discussed in the previous sections (e.g. in the data analysis), firstly formulated a clear research framework deriving from the literature (see sections 1, 2 and 3 of the analysis chapter) and then through the analysis of data, aimed to clearly explain why and how the network development of tourism SMEs was triggered by perceived environmental uncertainty and was not caused spuriously by a third variable. In

addition, through the application of pattern matching, the researcher aimed to compare empirically the observed patterns with the predicted and also established patterns of other studies from the literature (see sections 5.1, 5.2, 5.3 of the discussion chapter). Specifically, the researcher has compared and discussed the relationships between the data obtained in this study and those of previous, relevant to network development, studies, such as these conducted by Coviello, (2006), Jack et al., (2008), Kontinen and Ojala (2011), Söderqvist and Chetty, (2013), Wegner et al. (2018).

### **External validity**

The external validity, or generalizability, refers to the problem of knowing whether the results of a study can be generalized beyond the immediate case study (Welch et al., 2011; Voss et al., 2016). The external validity problem is considered to be a major obstacle in doing case studies since a researcher, neither through single nor multiple case studies, is able to achieve statistical generalization and infer conclusions about a large population (Gibbert and Ruigrok, 2010). However, instead of the statistical generalization, the case studies rely on the analytical generalization, the process according to which the empirical observations are generalised to some broader theory (Easton, 2010; Yin, 2009). In this study, the researcher enhanced the external validity with the application of two particular tactics; firstly by using an underpinning theory – specifically, the internationalization network theory – to which the findings of the study could then be generalised; and secondly by providing a clear rationale for the selection of tourism industry as case study and sufficient details in regard to its context on the basis of which the reader could understand the sampling choices.

### **Reliability**

The reliability criterion refers to the process of demonstrating that the operations of the study can be repeated with the same results. In other words, the objective of reliability is to reduce the errors and biases in a study (Yin, 2009). This can be achieved by making sure that the subsequent researchers, conducting the same case study and having followed the same steps of the earlier investigator, will conclude to the same findings. According to Gibbert and Ruigrok (2010), transparency and replication are the key words that a researcher needs



to consider during this process. In this regard, the researcher enhanced the transparency and facilitated the replication with the application of specific tactics. Specifically, in terms of transparency, the researcher carefully documented and clarified all the procedures that himself followed during the conduct of the research; for example, among other, this involved the preparation of the interview guide – protocol which, through the documentation for data generation and the main thematic areas of inquiry, enabled the establishment of consistency in the investigation of the individual units of observation (i.e. tourism SMEs). Now, in regard to replication, this was accomplished with the preparation of a case study database which included, in an organised manner facilitating the retrieval for later investigators, the notes and the data – narratives collected from all the participants.

### **3.12. Ethical considerations**

Ethics in all research are of great importance, especially in the studies which involve interaction and close links between the researcher and with businesses or members of the general community (i.e. respondents) who constitute the participants (Sanjari et al., 2014). Therefore, the researcher adhered to the formal codified ethical principles, rules and guidelines of the Sheffield Hallam University in order to ensure an ethical obligation to all informants. In that respect, the researcher, before his transfer from University of Bradford to Sheffield Hallam University, submitted a research ethics application form for this study which has been reviewed for its adherence to the ethical guidelines of the University of Bradford and approved by the Research Ethics Board (Ethics Application E561). This ethics application was then reviewed and approved by Sheffield Hallam University. Based on this form, the informed consent was ensured with all informants. Each informant was informed about the overall purpose and benefits of the study (through the information sheet), the interview procedure (e.g. recording, average time – length), and his/her right to withdraw from the study/interview process at any time. Also, clear contracting of confidentiality was implemented at the front end of the research about the name of the company and individual's identity. Therefore, to ensure the anonymity of the corporate informants in this study, all the informants as well as the names of the companies remain undisclosed (not named) and numbers have been used as pseudonyms. Furthermore, all copies of the interview transcripts have been kept either in a locked filing cabinet or a password protected

computer file, which only the researcher has access too. Finally, the researcher will honour all promises of reciprocity which were initiated at the phase of access by providing to each informant a copy of findings and subsequent published papers.

### **3.13. Conclusion**

This chapter presented the case study research strategy that has been employed in this thesis. Starting with the philosophical foundation, this chapter described in details the research design that was followed to address the research problem and the respective research questions. The single case study design was considered as the most appropriate for this study since, through the abductive logic, allowed the researcher to investigate in depth the complex phenomenon under study and following, through retroduction, to explain the causal relationship between the three types of perceived environmental uncertainty and the SMEs' network development. Specifically, the semi – structured interviews and an array of documentation constituted the main sources of information for this study. These sources enabled the researcher to dig deep into the participants' experiences and thus to obtain valuable insights in terms of perceived environmental uncertainty and their influence on several aspects of network development. By applying several tactics, the researcher aimed to meet the criteria of validity (construct, internal – external) and reliability and therefore to enhance the quality of the study.

## **Chapter Four: Case Analysis**

### **4. Introduction**

The analysis chapter comprises three main sections, the external business environment, the perceived environmental uncertainty and the inter – organizational network development. The analysis will begin with the examination of the SMEs' external business environment, following will proceed to the examination of these domains in relation to the three types of environmental uncertainty perceived by the SMEs' managers – owners and finally will examine the networks' developments which have been triggered by the manager – owners' uncertainty perceptions.

#### **4.1. External business environment**

In this section, incidents are presented as discussed and described by the participants and concern five domains of the SMEs' external business environment. These are the political, the governmental, the macro – economic, the sociocultural and the competition domain. Starting with the political, each environmental domain will be examined in turn.

The incidents, related to these environmental domains, could be considered as starting points of the SMEs' network development since they appear to have affected – and might be still affecting – participants' perceptions about the types and levels of environmental uncertainty which in turn, have led to developments within their inter – organisational networks in terms of the structure, relationships and exchanged content.

##### **4.1.1. Political environmental domain**

According to the identified findings, the political environment constitutes one of the major sources of uncertainty for Greek SMEs of tourism sector. Political environment refers to the political systems of countries which can be disturbed and/or change due to unpredictable incidents, such democratic changes in governments or heads of state, terrorist attacks, coup d'état, (Miller 1992; 1993, p. 312 - 313). Most of the participants consider political environment to be very important since any change occurring within it has direct effects, either in a positive or negative way, in tourism sector and eventually in the operation of their enterprises. Participants mentioned several incidents that happened in late years and have caused political instability in Greece, in big European countries and in the broader

Mediterranean area, to countries such as Turkey, Syria and Egypt. In that respect, political instability could be distinguished to two categories, the domestic political instability referring to political changes in Greece and the external political instability referring to political changes in European and Middle East countries.

#### **4.1.1.1. Domestic political instability**

Several participants reported that the political environment in Greece has been unstable and highly uncertain in the last seven or so years and has adversely affected the inflow of foreign tourists. In late years, several changes have occurred in the status quo of Greek political scene, increasing the level of uncertainty, and consequently, negatively affected the image of the whole country. The following quotes provide supporting evidence:

*“Another problem is the political environment in Greece. The country’s image is affected by the current situation. It is like we admit on our own that the trademark of the country is not good.”* (Company no.19, p.13)

*“The most significant issue is taxation and then another significant issue – this is general issue and applies to all sectors – has to do with the fact that the last 6,7 years, we live in a status (“regime”) of political and economic uncertainty.”* (Company – organization no.31, p.8)

Since the beginning of the debt crisis in 2009, Greece held four national elections and the government changed five times since George Papandreou, one of its Prime ministers, resigned in 2011. Back then a coalition government (consisting of three political parties) was formed under the leadership of Lucas Papadimos. The five respective Greek governments appeared to be unable to face the deep economic crisis (which will be discussed in more depth in the following section of macro – economic environment). They tried to manage the national debt by enacting consecutive strict measures within a short period of time, however, those measures were temporarily, haven’t been fully evaluated and have changed many times over the years indicating that a more solid and better organised plan was needed. During this period, Greek governments have been constantly assessed by the Troika (the European Commission, the European Central Bank, and the International Monetary Fund) regarding the management of the debt and strong negotiations, between the two

sides, were taking place every year. In fact, in 2015, the “Grexit” scenario (Greece’s exit from Eurozone) was under discussion since a deal between the Greek government and its Eurozone partners seemed to be unlikely (BBC News, 2015d). As a result, the level of political uncertainty has been increased and Greek tourist entrepreneurs were insecure about the future of their enterprises and their collaborations with foreign partners. The following quote provide supporting evidence:

*“In my opinion the level of uncertainty has been increased because of the fear of Grexit. These years, we have been living with the threat of Grexit and of the government enacting measures back to back...”* (Company – organization no. 31, p.14)

#### **4.1.1.2. External political instability**

Several participants referred to the political instability that exists in the countries of Middle East and specifically in Turkey. During July 2016, an attempt of coup d’ etat occurred in Turkey against the state institutions and the president Recep Tayyip Erdoğan. On July 2016, a faction of the Turkish army with the excuse to protect democracy from President Erdogan tried to seize power and impose martial law to the country. The protesters announced the preparation of a new constitution but failed to gain public support and a wider military backing. Therefore, early in morning of the next day, the legal government regained power and prevented the coup (BBC news, 2016). Despite its short duration, the attempted coup caused high turbulence to Turkey and severe measures were imposed afterwards by President Erdogan to secure power.

Also, participants referred to the ongoing war taking place in Syria which started in 2012 and alongside the coup d’état has enhanced turbulence in the broader area of East Mediterranean Sea. In spring of 2011, demonstrations and protests against the government of President Assad erupted nationwide in Syria. Very quickly, the uprising turned to be extremely violent and the country was driven to a war which has attracted worldwide attention; first into civil war, governmental forces were fighting with rebels brigades, and then to a massive war between the Syrian army and a jihadist group, the so called Islamic state (BBC news, 2016). It is the war and the multiple terrorist attacks in big European cities, for example Paris, and other very popular destinations such as Egypt, that have lately

rendered Greece as a safe tourist destination and therefore tourism sector notes an upward course since 2016 and onwards. In fact, certain European countries, such as UK, have published guides to advise their citizens about tourist destinations to avoid due to high terrorist activity and danger (gov.uk, 2019).

Based on the data, the current political instability and uncertainty in Turkey and the surrounding countries have affected Greek SMEs in two different ways. On the one hand, several participants mentioned that it has a positive impact to Greek tourism since Greece is considered by European, and not only, tourists as the safest destination in East Mediterranean Sea. Therefore, tourists show a preference traveling to Greece instead of going to another tourist destination, for example to Turkey which at the moment faces a political turmoil or to Egypt where the situation seems to be dangerous because of the high likelihood of a terrorist attack. Several Greek tourist SMEs have tried to exploit the situation and attract customers from major European markets and USA who were supposed to travel to Turkey. This notion can be supported by the following evidence:

*“...If you consider that you cannot travel to Egypt which attracted millions of tourists every year from the Mediterranean, neither in Turkey, just think that we are one of the safest destinations for the time being...”* (Company no. 7, p.16)

*“...last summer we said that Karpathos received “help” [ironic] from the surrounding countries. The neighbour countries faced several problems; see Israel, Turkey, also Balkan countries such as Kosovo and Serbia. All of them helped Greece, we said that we had “sponsors”, “sponsor” Erdogan...funny, isn’t it?”* (Company no. 15, p10)

On the other hand, Greek entrepreneurs expressed concern about the current political condition in Turkey which indeed negatively affected a part of Greek tourist SMEs, at least those located in Chios, which highly depend on Turkish tourists. The number of European tourists in Chios has been decreased dramatically in late years due to the immigration – refugee crisis (an unpredictable change that will be next discussed) and lack of proper infrastructure. Thus, tourist entrepreneurs of Chios attempt to increase their activities in Turkish market which is geographically close to them and attract more and more customers.

Nowadays, the majority of their customers come from this particular market which as described above, suffers from a political turmoil. During the coup d' état period which lasted more than a month, Turkish citizens were not allowed to exit the country because Turkey closed its borders and therefore reservations on Chios Island by Turkish customers were limited. The Greek SMEs mentioned that this turbulent situation might prevent Turkish citizens from travelling and visiting the island in the future. If this happens again, it will be another negative shock to their enterprises, again reducing their customer base. The following quotes provide supporting evidence:

*"I refer to the coup d'état...and all this turbulence that emerged from this incident. Well, eventually Erdogan managed to "clear" his [political] rivals but this happened in the middle of the tourist period...definitely affected the Turkish tourism sector...even if that was for a short period..."* (Company no. 11, p.5)

Additionally, nine participants referred to the ongoing migration issues in the Eastern Mediterranean region that emerged in 2015. The war in Syria has caused a big wave of migration and many people started traveling from the conflicted countries of the broader area to Greek Aegean islands and then to Athens with the prospect to find asylum in Europe. Chios and other islands of the Aegean Sea (Mytilini, Kos.) as well as Athens were subject to an increasing inflow of migrants which the entrepreneurs suggest has harmed their business.

According to the participants' answers, the migration – refugee crisis, as they call it, has a negative impact on the image of the destination but also to the whole country. Unfortunately, the Greek state has not found a solution to the problem which day by day gets bigger and bigger and has devastating consequences to Greek tourist SMEs, particularly those located in Chios. As entrepreneurs from Chios stated, *"...Immigration was the last hit for our island."* (Company no. 18, p.13) and has decreased dramatically the number of European tourists, *"The immigration problem accelerated a situation which in my opinion had a given course. Immigration gave the final hit...and made the Europeans (tourists) think, that it is an island with criminality, there is no security, etc."* (Company no. 28, p.6&7). Just to note that tourism enterprises, located in cities such as Sparta or the island of Kefalonia

have not been affected directly by the immigration – refugee crisis since geographically are far from these developments. “It's very serious. Here, in Kefalonia we do not have this type of problem at all.” (Company no. 8, p.10).

#### **4.1.2. Governmental environmental domain**

Governmental environment constituted a major source of uncertainty for the Greek tourism SMEs. The governmental environment refers to the policies that are implemented by the government (for example, in the occasion of Greece, five different governments in the last 10 years) and have an impact to the domestic business community. In this study, government policies, such as the fiscal policy, were reformed unexpectedly by each government and consequently increase the level of perceptual uncertainty among managers – owners of enterprises.

The majority of the participants referred to the fiscal and monetary policies, taxation and capital controls respectively, that have been reformed and/or implemented in late years, namely after 2010 and onwards, and increased the uncertainty level in the government domain. Moreover, several participants referred to the changes that occurred in governmental regulations within the frame of tourism industry that can also be viewed as source of perceptual uncertainty. These factors - policies will be examined in turn:

##### **4.1.2.1. Taxation**

The interviewees referred mainly to the recent changes that occurred in taxation, namely increases in VAT rates and the implementation of the overnight tax that increased the level of perceptual uncertainty. There have been several changes in VAT rates since 2010, however, participants emphasized on the most recent ones, of 2015. Specifically, in 2015, the Greek government, in compliance with the memorandum agreement, proceeded to changes in regard to VAT rates and increased the VAT bands of several products and services (such as beverages and restaurant services). According to these changes, hospitality service was transferred, from the lowest band, which is 6.5% of VAT, to the middle band of 13% and also other services and products related to tourism were transferred from the middle band (13%) to the top one that accounts for 23%. According to these changes, tourist accommodations, are now taxed by 13% compared to the prior 6.5% and the travel



agencies, retail enterprises (e.g. souvenir shops) and also the enterprises providing food services, such as restaurants which indirectly are related to tourism industry are now taxed by 23% whereas before 2015, they had to pay much lower VAT rates (The Guardian, 2015). Another change occurred in 2016 when the government increased further by 1% the VAT rate of the highest band which finally reached the 24%. These changes are illustrated in the following quotes:

- Firstly regarding the VAT rates' increases in the hospitality sector:

*"The VAT was changed in the second semester of 2015 and jumped from 6.5% to 13%. That was a big increase ...we lost nearly 10% of our monthly liquidity because of that tax increase..." (Company no. 10, p.4)*

- And following, the VAT rates' increases that affected the rest tourist enterprises:

*"In Greece, taxation equals with the ¼ of the product's value. There has been a dramatic increase in VAT (rates), it rose from 18% to 24% in just a few years. Actually now, in Greece, businesses have to face over – taxation..." (Company no. 6, p.13)*

Most of the participants expressed their concerns about over – taxation and its negative impact on the performance of tourism SMEs and generally on tourism industry. This notion can be supported by the following evidence:

*"...this (taxation increase) is a very significant factor. High taxation is a serious problem for small enterprises. The sustainability of small enterprises is at risk...hoteliers might be forced to drop the quality of their services in order to cope with taxation..." (Company no. 2, p.8).*

Indeed, the same opinion was also expressed by the managers of the Associations who took part in the research. They identified the current over – taxation as one of the biggest problems that SMEs have to cope with and also as a factor that renders Greek tourist product (service) as less competitive compared to those of other countries (e.g. Turkey, Cyprus). In fact, back in 2015, before the implementation of VAT increase, the president of SETE, Nikos Andreadis (Greek Tourism confederation) sent a letter to the ex – Finance

Minister, Yanis Varoufakis, in which, he outlined the importance to maintain the low VAT rate of 6.5% in tourism accommodations. In the letter, Mr Andreadis, stressed that the programmed increase in VAT rates will likely adversely affect the positive course of Greece's tourism performance. He also pointed out the necessity for a stable fiscal framework which will enable tourism enterprises to achieve their goals and recover lost ground from previous years (GTP, 2015; To vima, 2015).

*“Also, taxation is very high and unpredictable; it has been increased the late years. We communicate daily with professionals and we see that they are lost in a very complicated and confusing state of regulations and taxes.” (Company – organization no. 34, p.3)*

Another issue which was also raised by participants – specifically by managers/owners of Chian SMEs – was the possible cancelation of the Greek Island's special VAT regime. Till 2015, there was a 30% discount to all VAT rates, implemented in all Greek islands, however this discount has gradually stopped been applied to certain islands with high levels of tourism, such as Mykonos and Santorini, from 1st October 2015 and also to other less touristic developed islands, such as Patmos, on 1st January 2016. According to several newspapers' publications, there were discussions (within the government) that Chios would be also included on that list of islands; therefore an uncertain condition was created for the Chian tourism SMEs and managers appeared to be really concerned about this matter. Finally, the government decided this special regime to be maintained, at least till the 30th June of 2019, to five islands that have been particularly affected by the refugee crisis (Chios, Kos, Lesbos, Leros and Samos) (Deloitte, 2019; International VAT Association, 2015).

Alongside with the changes – increases in VAT rates, the government announced the plan to implement an extra tax to tourist accommodations, the overnight – tax. This tax was planned to be implemented by the 1st January of 2018 and certainly increased the liabilities of SMEs towards the state. Several participants mentioned that the state has adopted a hostile taxation policy towards SMEs and creates additional costs and problems instead of essentially helping them.

*“Also, on 1st January 2018, they (the government) will impose an additional tax, the overnight tax...regardless to which category each business is classified, our classification is based on “keys” from 1 to 4...” (Company no. 18, p.12)*

#### **4.1.2.2. Capital controls**

A big number of participants also referred to capital controls as a policy that increased the level of uncertainty on the government domain. In the summer of 2015, during the bailout discussions, the Greek government failed to reach a deal with its foreign lenders and then the ECB (European Central Bank) froze the funding support towards Greek banks. As a result, the Greek government decided to impose capital controls to avoid a “bank - run” and a collapse of the banking system and as a result, banks remained closed for several days. Also, there was a limit of €60 per day on withdrawals from cash machines and in addition there were restrictions on cash transfers (BBC News, 2015b; 2015c; 2015e; Reuters, 2015). Just to note, that it was the summer of the same year, when Greece slid towards a euro exit (Grexit scenario), an incident that as discussed in the section of political domain caused political turmoil, increased the internal instability and also seems to have affected the uncertainty level of governmental domain (BBC News, 2015c; 2015d; 2015e).

*“...The referendum was announced and after 2-3 days, banks closed and capital controls have been implemented. There were long queues outside the banks, in the ATMs to withdraw money...” (Company no. 20, p.8)*

The condition created after the implementation of this measure was – and still remains – unstable. Over the years, the government eased capital controls, however restrictions on withdrawals and cash transfers are not fully relaxed. For instance, a manager – owner of a tourism agency mentioned *“We had – and still have – a very significant problem with capital controls...this is a mess” (Company no. 13, p.10).*

The imposition of capital controls had a negative impact on the tourism SMEs since hoteliers had many cancelations on their reservations by foreign and domestic tourists. Tourist agencies were forced to cancel trips – excursions because their (foreign and domestic) customers were concerned about the monthly limits on withdrawals from cash machines

and also (domestic tourists) were afraid of a possible “haircut” in their bank deposits. In general, capital controls deterred domestic and foreign tourists to arrange their vacations in Greece and also caused difficulties in the transactions between tourism SMEs and their (domestic and international) partners because of the limitations on money transfers through banks. The following quotes can support this:

*“...that was the summer when the imposition of capital controls happened. There was great confusion on the market, we did not know if the banks could give money to (foreign) visitors of Greece. July and August were the most difficult months...”*  
(Company no. 6, p.13)

*“...I mean us, as a company, we saw some negative changes happening, like capital controls. Back then people didn’t know what was happening...”* (Company no. 13, p.9)

#### **4.1.2.3. Government regulations**

Several participants also talked about the ambiguity that prevails in the regulation framework of tourism industry. The answers on this domain have been fragmented and concerned several aspects of the tourism industry, such as the licences of tourism accommodations or the visa – travel authorization for incoming tourism. According to the participants, the current legislative framework lacks of a proper structure and stability, and suffers of unpredictable changes. Tourism SMEs feel unable to follow all these changes and which as a result have enhanced level of their perceptual uncertainty. For instance, two managers – owners of tourist accommodations referred to the changes that have suddenly occurred, in accordance with the memorandum, in regard to the provision of licences for tourist accommodations:

*“Now, according to the last memorandum, they decided that anyone can provide his/her house as a tourist accommodation. Anyone can dispose for renting up to two houses/apartments, essentially two tourist accommodations. This is a big hit for us, the professionals of the sector...”* (Company no. 18, p.11).

Another manager of a small hotel in Athens referred to the unexpected changes in regard to the classification of tourist accommodations which recently had been announced by the official governmental departments and were about to be implemented. The criteria for this classification changed suddenly and entrepreneurs were obliged to adjust to a new condition:

*“For example, many things can change in the domain of regulations every year...even if you want to, you can’t control everything, and I mean taxation and regulations. You might have heard that the classification of hotels, regarding stars, will change at the end of the year. The new criteria will be different, this is a procedure completely new to us...” (Company no. 9, p.9).*

Also, another general manager of a hotel in Chios referred to the entry problems (visa tourist pass) that foreign tourists from certain countries, such as Russia and Turkey, need to overcome in order to be able to travel in Greece. Successive Greek governments, probably due to bureaucratic matters, have neglected the creation of a definite procedure for the issue of a visa document. The whole process is vague, time consuming and can cause delays in the travellers coming from countries outside the Schengen zone. Unexpected changes can deter travellers to visit Greece and certainly make things even more difficult for tourism entrepreneurs who may lose a significant part of their clientele.

*“...the state created problems with the visa; it might take several months for a visa to be issued, so a Russian traveller will not be able to visit Greece.” (Company no. 11, p.13)*

#### **4.1.3. Macro – economic environmental domain**

According to the analysis, the macroeconomic domain (comprised by two factors, namely the economic crisis and the changes in exchange rates) constitutes one of the main sources of uncertainty for Greek SMEs of tourism sector. The macroeconomic domain refers to the fluctuations in the level of economic activity of a country and prices of goods and services. Several participants referred to the economic crisis which started in Greece in late 2008, increased dramatically the level of uncertainty and had devastating effects on the economic

environment of the country. In fact, the economic crisis as an uncertainty factor (source) could be directly interrelated with the internal political instability and the changes on the fiscal and monetary policies (which were discussed in the previous sections) since it could be considered as their main cause. The economic crisis led to the further increase of internal political instability and consequently to the implementation of austerity measures. In regard to uncertainty sources, a few participants referred to the unpredictable changes in the exchange rates that also increased the level of perceptual uncertainty and affected the operation of tourism SMEs. These factors will be examined in turn:

#### **4.1.3.1. Economic crisis**

A number of participants referred to the unstable condition of the Greek economy and particularly to the economic crisis that the country has been experiencing since late 2008 till the summer of 2018 when appeared the first signs of the exit from the crisis. The global financial crisis of 2007 – 08 brought to the surface the problems that the Greek economy had already been facing and suddenly the country entered to a period of recession and austerity. In the beginning of 2009, the Greek government revealed that it was unable to finance further its debt repayments due to its sky – high budget deficit and the structural weaknesses in its economy. Following, the Greek government addressed in 2010 to the IMF (International Monetary Fund) and other European creditors and asked for a financial rescue (help) to encounter the drying up of liquidity. However, the bailouts of Troika (the European Commission, the European Central Bank and the IMF) were conditional since the Greek government was asked to reform its budget plan and proceed to cuts on spending and increases on tax revenues (BBC, 2018; Investopedia, 2019).

During this period of recession, the debt of Greece exceeded the amount of €323bn and among others the rate of unemployment skyrocketed to 27.5% (youth unemployment reached to 58%), salaries and pensions were repeatedly slashed, taxation (e.g. VAT rates) increased dramatically and also workers' contributions to the pension system were raised (BBC, 2015a; 2015b; The New York Times, 2019). This state of the Greek economy had an adversely effect on tourism SMEs which firstly saw their operational costs increasing and secondly the number of their customers – particularly domestic tourism – declining year by year since a big number of Greek citizens, after the austerity measures, were struggling to

cover their daily needs. The negative effects of the economic crisis can be supported by the following quotes:

*“I mean since the economic crisis appeared – in the pocket of Greeks, Greeks stopped being able to travel and vacations became luxury; each one cares firstly to cover the daily needs and then looks for pleasure – satisfaction. This is why Chios got hit [affected] very early.” (Company no. 18, p.4)*

*“Unfortunately, during the crisis period, domestic tourism has declined. The island is mainly dependent on incoming tourism...before the crisis, things were different, but nowadays, we don’t have the privilege to have a bad year in sales...” (Company no. 6, pp. 7&10)*

#### **4.1.3.2. Exchange rates**

Beyond the factor of economic crisis, few participants referred to the sudden changes in the exchange rates and their impact on the inflow of tourists. Indeed, any changes in the currency rates might influence the tourists’ spending capability in a destination or even their capability to travel to this particular destination (WT&TC, 2016). The incoming tourism of Greece, coming from countries outside the Eurozone (e.g. USA), might be easily affected by the changes in currency rates. For instance, a possible devaluation of the British pound due to the Brexit scenario might dishearten British tourists from travelling to Greece and urge them to travel to other cheaper destinations (e.g. Turkey) or even not travel at all because of the high travel expenses. This also applies to Greek tourists who desire to travel to foreign destinations, specifically in countries with different currency. A possible devaluation in the foreign currency might urge Greek tourist to visit this destination. In that respect, participants mentioned the devaluation of the US dollar and the Turkish pound and the consequence of that change on the inflow of American and Turkish tourists respectively. The following quotes support this:

*“Another external factor which is very important for the American tourists is the exchange rate between euro and dollar. This year, a lot of American tourist agents told us “Look, the exchange rate has changed; it is 10% more expensive this year for an American to visit Greece”.” (Company no. 13, p.10)*

*“...and the Turkish pound which has been devaluated to a big extend the last few years. Just think that few years ago the exchange rate between Turkish pound and Euro was 2 to 1 and nowadays is 4 to 1, that means that European market for Turkish tourists became twice more expensive just in few years.” (Company no. 27, p.9)*

#### **4.1.4. Socio – cultural environmental domain**

A small number of SMEs identified uncertainty relating to the socio-cultural domain. This concerned SMEs mainly in Athens and other major cities in Greece. The sociocultural domain includes several incidents, such as riots, demonstrations that occurred, after the year 2009.

##### **4.1.4.1. Social riots – demonstrations**

Several Athenian managers reported that the social riots – demonstrations of late years have been detrimental (harmful) for the smooth operation of their enterprises and contributed to the rise of the uncertainty level. The demonstrations are not a recent phenomenon in Greece since from time to time, people gather and protest in the main cities against governmental decisions. However, after 2008, the social unrest intensified and on several occasions took escalated into riots. Particularly, in 2010, many social riots and demonstrations did occur in the city centre of Athens and extensively violent road conflicts were noted between the protesters and the police (The Guardian, 2010). The goal of these social riots was to express the opposition of Greek citizens to the continuing austerity measures of the government and reflected the prevailing high uncertainty in regard to the macro – economic and governmental domains. In the next years of the economic crisis the number of political protests and the people participating increased and consequently resulted to even higher internal political instability (The Atlantic, 2012; The Guardian, 2012). At the same time, these violent demonstrations harmed the tourist picture of the historic city of Athens and raised concerns to foreign tourist agents and operators as well as to the foreign holidaymakers about the safety on the destination. This caused many trips cancelations and inevitably the incoming tourism with main destination to Athens was adversely affected during that period. The following quotes provide supporting evidence:

*“...in Athens we had the social demonstrations, riots with the anarchists and then the “indignant” movement. During the period of demonstrations we had many*



*cancellations from abroad [foreign tourists], [since] tourists didn't want to visit Athens and generally they were concerned about the situation in other cities as well.”*  
(Company no. 20, pp. 4&7)

*“...that year, we had too much turbulence at the city centre of Athens...Yes, [that period] with the riots, the fires at the city centre of Athens, the strikes in public transport. Definitely it was a social issue...the first critical hit was in 2012 with the riots which created the feeling of uncertainty to customers – visitors”* (Company no. 9, p.5)

#### **4.1.5. Competition environmental domain**

This section refers to the competition domain which involves the entry of new competitors in the industry and the rivalry that might exist or arise within the industry among existing enterprises and also with the new competitors. Based on the relatively small number of answers, this particular domain constitutes a secondary source of uncertainty that seems to have triggered the development of the inter – organizational networks of tourism SMEs. This could be probably be explained by the fact that the current economic turmoil in Greece comprising all the uncertainty factors discussed in the previous sections, deters the entry of new enterprises and investments in tourism industry and have already caused the bankruptcy of many existing ones. Participants concentrated on the new entrants and the rising competition which have increased their perceptual uncertainty.

##### **4.1.5.1. Entry of new competitors**

Several participants reported that new enterprises have entered into the tourism sector, increasing the competition and adversely affecting the operation of the existing SMEs. Those interviewees could be distinguished into two groups; the first group concerns the hotel managers who referred to the new, for the Greek market, enterprise of “Airbnb” and its remarkable spreading and development around the country; and the second group concerns the travel agency managers who referred to the emergence of new travel agencies, online and physical.

## **Hotel managers – Airbnb**

In regard to the “Airbnb” effect, the number of short term rentals has been increased rapidly the last few years in all the tourist destinations of Greece. Due to this phenomenon, Greek hoteliers expressed the opinion through the Hellenic Chamber of Hotels, that these home – sharing properties for tourists harm the sustainability of tourism lodgings since they have an unfair advantage compared to them because they still remain unregulated by the state. This concern reflects the lack of a clear legislation which was discussed in the section 4.1.2.3. In that respect, the current Greek Tourism Minister, Harry Theoharis announced that a new regulatory framework for the “Airbnb” style rentals will be applied at the end of the 2019 tourism season (Reuters, 2019; GTP, 2019a; 2019b). The following quotes provide supporting evidence:

*“...our sector faces a very significant problem with short term leases, a liberation of houses happened, of illegal accommodation...this is a big hit for us, the professionals of the sector...they consider their houses/apartments as tourist accommodations, something which we think is wrong since they do not have the necessary licence, in addition they have not been assessed by an authority and they might not fulfil the basic specifications...”(Company no 18, p.4)*

*“Airbnb is a new competitor in the market...Just think that now with Airbnb, everyone can provide a service – his/her house to anyone – exactly what we do with the rooms to let but in Airbnb the prices are much lower.” (Company no. 19, p.11)*

## **Travel agencies’ managers**

In regard to the second group, that of travel agency managers, they mentioned that several new competitors have appeared in late years rendering the competition within the sector even harder. The new entrants, either online or physical agencies, have applied aggressive strategies in order to secure their position in the industry and eventually increase their clientele. The quotes below can support this:

*“...essentially, you have to deal with the aggressive pricing policy applied by your competitors [who] might be two or three but sometimes even more, there may be*

*over 50 [tourist] offices...Nowadays, the potential customer is getting offers from many offices, you know, offices that do the same job as we do..." (Company no. 16, p.13)*

*"Constantly, similar companies "arise" [are founded], I mean at the beginning there were some and suddenly the number of online agencies increased abruptly...now there are too many [online agencies]. They get better prices from the hotels and thus they offer rooms to tourists in lower price. This is a big problem for us, it changes things drastically..." (Company no. 20, p.11)*

## **4.2. Perceptual environmental uncertainty**

This section will now present the findings on the participants' perceptions about environmental uncertainty in relation to the five domains of the external business environment. According to the participants' answers and as indicated in the literature by Miliken (1987), three types of perceptual environmental uncertainty (PEU) have been identified; these are state, effect and response uncertainty. Based on the philosophical framework of critical realism that has been employed in this study, these three types of PEU are identified as causes that triggered the development of inter – organisational networks in various ways, (e.g. structural alterations). In that respect, the identification and explanation of the causality of network development has been achieved since these three types of PEU are regarded as answers to the question "what caused those events to happen" (Easton, 2010). The identified three types of PEU, state, effect and response PEU will be discussed next in turn. The respective network developments will be examined and analysed in the following section (4.3).

### **4.2.1. State uncertainty**

The SMEs experienced a high level of state uncertainty in regard to all five domains of the external business environment. This finding indicates that state uncertainty might be the most influential factor of network development. Each of the five environmental domains will be examined in turn:

#### **4.2.1.1. Political state uncertainty**

The findings show that the political domain constitutes a major source of uncertainty for Greek SMEs of tourism sector. The political domain has been distinguished in two ways: internal (referring to political changes that have occurred in Greece) and external (referring to political changes that have occurred in other countries mainly in Europe and Middle East). Those will be examined next:

##### **Internal political uncertainty**

Several participants reported that they feel highly uncertain about the political developments occurring in Greece. The SMEs' managers highlighted that anything could happen and change radically the political conditions in the country and consequently affect the tourism industry. For example, the managers of five hotels expressed their frustration – concern about the previous and current government and their inability to find and follow an effective plan for the economic crisis. As they mentioned, in late years, the consecutive elections conducted in the country have increased dramatically the level of uncertainty which has adversely affected tourism sector. This can be illustrated with the following evidence:

*“Nowadays, developments occur very quickly and we are unable to predict anything...we cannot rest assure that 2017 or 2018 will be a good year just because this happened in 2016. No, we can't do that because facts can change at any moment...For example, the consecutive general elections created a state of political uncertainty and caused a big downfall in tourism, in business tourism and leisure as well...” (Company no. 29, p. 7)*

*“...this moment, all these (incidents) that occur geopolitically...tomorrow, something unexpected might happen in our country related to the political status quo or terrorism and eventually change completely the visitors' flow...the environment is unstable, mainly politically...” (Company no. 1, p. 6)*

Although the current Government enacted multiple measures through the last four years, this failed to adhere to the guidelines of the IMF (International Monetary Fund) and

European Union. This rendered the future of the country unpromising and unpredictable. Indeed, in summer of 2015, leaders of EU discussed, intensively, with the Greek Prime minister and the financial minister the possibility of a “Grexit”. These facts increased even more the level of state uncertainty among Greek entrepreneurs who feel insecure and unable to make long – term predictions since “...government decisions change day by day” (Company no. 25, p.4) and “There is uncertainty in the political domain...one day they decide to enact a measure and then the next week they will cancel it. We don’t know what can happen...” (Company no. 23, p. 13)

The perception that political situation in Greece is unstable and highly uncertain was also reported by three managers of organisational departments of tourism sector who stated that most of their time is spent in understanding the unpredictable changes occurring suddenly within the domain and also in their effort to decrease the feeling of uncertainty that exists in Greek enterprises. Greek tourist entrepreneurs are confused by the constant changes, perceptual state uncertainty is apparent and at high level and some are pessimistic perceiving that worse things might happen in the future unexpectedly.

### **External political uncertainty**

SMEs referred to external political incidents that increased state uncertainty and which affected tourism sector in Greece. Firstly, interviewees reported the relatively recent attempted coup in Turkey which caused turmoil to tourist SMEs in the middle of the tourist period. This particular incident happened suddenly and affected directly tourism enterprises in Chios which incoming tourism now derives mainly from the Turkish market. The tourism entrepreneurs of the island mentioned that they were unable to predict such an event and expressed their agony for similar future events and their consequences to their enterprises. For example, entrepreneurs from Chios stated specifically that:

*“It was something completely unexpected. Something like that can happen any time and freeze your business.” (Company no. 22, p.7)*

Furthermore, several participants expressed their fear for the possibility of a terrorist attack due to the geographical location of Greece. The danger of terrorist attacks is high in countries which are geographically proximate to Greece, such as Egypt, Israel and Turkey. The level of state uncertainty regarding this matter is high, in particular, a number of

interviewees pointed out that terrorist attacks constitute unforeseeable events and can have devastating effects to tourism sector although in some occasions can be in their favour.

*“Generally tourism is very easily affected by whatever happens and is a sector extremely "sensitive" to such things. You do not know how things will evolve, you do not know what will happen tomorrow or the day after tomorrow...” (Company no. 5, p.8,)*

*“(Terrorist attacks) affect positively Greek tourism. On one hand terrorist attacks in Egypt, Germany, France, Spain affect positively Greek tourism but on the other hand there is a possibility that something similar might happen to Greece.” (Company no. 29, p. 7,)*

The aforementioned attempted coup d'état in Turkey coupled with more frequent terrorist attacks have increased the tension that already exists in Middle East because of the ongoing war in Syria. Certainly, the war erupted unexpectedly and has influenced managers' perceptual state uncertainty about the external political domain.

*“...still there is turbulence, you know with the war and a while ago with the coup d'état...” (Company no. 20, p.4)*

*“Unforeseeable events may arise due to our geographical location. And we do not have the best neighbours...” (Company no. 14, p.14)*

The war in Syria forced many people to migrate, and as a result, a big migration wave was created in 2015. Many people began moving from the countries of this particular broader area to Greek Aegean islands and then to Athens with the prospect to find asylum in Europe. Again, the level of perceptual state uncertainty is high, particularly among SMEs located in Chios which is one of the islands that has been affected severely. While at the beginning, the issue looked to be manageable, suddenly, within a short period of time, the inflows of illegal immigrants increased dramatically and have adversely affected European incoming tourism. Most of the entrepreneurs of the island appeared to be really worried about the immigration issue which has been developed to a crisis. They don't know what

will happen and how things will evolve since the government and the local authorities do not have a specific plan to address the problem. Certainly, immigration is not limited only in Greece, it is a matter that concerns the whole Europe but at the moment Chios and other islands of the Aegean Sea have been affected the most and tourism SMEs struggle to survive.

*“Of course there was uncertainty and still there is. This is a very significant issue which concerns our company and all professionals of tourism who operate in Chios. Definitely, this issue also concerns the whole local community...” (Company no. 27, p.9)*

*“No, how could I predict that war will break out in Syria and thousands of immigrants will come here? No...Besides, this is also the particularity of tourism; it is "sensitive" to whatever happens.” (Company no. 5, p.8)*

The high level of state uncertainty can be also supported by the answers of managers of tourism organisational departments in Chios and Athens who pointed out that immigration was an unpredictable factor that affected negatively the image of the country as tourist destination and caused problems to tourist SMEs:

*“...I think that none of us could imagine the extent to which Chios became involved in this issue. It’s a huge problem for the islands here. When hostilities first started in the Middle East, we could not have imagined how these events would have been developed.” (Company – organization no. 33, p.7)*

*“...the immigration – refugee crisis...we couldn’t predict all these incidents. Also, the incidents that happened in Turkey which is a market next to us...we couldn’t predict that either...” (Company – organization no. 32, p. 10)*

Despite the high level of state uncertainty, that is not the case for effect and response uncertainty which level seems to be low. Managers – owners seem to understand the impact of immigration on their enterprises and have no difficulties in identifying a response to the problem.

*“Well, all these incidents affect directly the turnover of the company and the levels of profitability. Now, we just try to be break – even, we are far away for being profitable” (Company no. 27, p.16)*

*“No, we immediately realized their impact. We knew that all these would affect the flow of tourists to the island, our revenues...that’s why I told you that we were afraid that we would lose our jobs.” (Company no. 11, p. 10)*

*“I believe that we did well so far. I mean that by 85% we have found the necessary answers. However, there is a sort of inability since no one is unmistakable. But due to our long experience and with the valuable help of Hellenic Chamber of Hoteliers we manage...” (Company no. 11, p. 11)*

#### **4.2.1.2. Governmental state uncertainty**

Along with the political domain, the analysis also identified that participants have experienced high level of state uncertainty about the governmental policies since there have been many severe and unpredictable changes in this domain. The state uncertainty will be discussed in relation to these changes of governmental domain, namely taxation, capital controls and regulations:

##### **Taxation**

The SMEs perceived the taxation framework to be highly state uncertain and complex due to the multiple, unpredictable changes of late years. Many SMEs acknowledged their inability (difficulty - weakness) to predict the multiple changes that occurred in the Greek taxation regime. Specifically, in regard to the changes in VAT rates, participants stated that despite the rumours for taxes increase, they couldn’t predict the extent of these particular increases on the new VAT rates as well as the date of their implementation. This inability indicates the presence of state uncertainty and can be illustrated in the following quotes:

*“No, something like that cannot be predicted. Ok, you might receive messages from the government that something might happen in the future, in relation to VAT increase and changes in taxation such as the “overnight tax” which might be*



*implemented on 1/1/2018 but the bad thing for entrepreneurs in Greece...is that even if the government announces some changes, we are still uncertain if at the end, these will be implemented or not.” (Company no. 10, p. 5)*

Also, participants experienced state uncertainty in regard to the overnight tax. Again, in this occasion, managers – owners of tourist SMEs have not been fully informed if (and when) this tax will be implemented and what the actual cost will be. This condition increased the managers’ perception of state uncertainty and also has prevented them from planning ahead.

*“...from the 1st January 2018 a new Overnight Stay Tax has been introduced by the Government. This is still a little unclear, even the state itself has no idea about it. People, hotels, everyone is confused...All this process causes a state of disarray [confusion].” (Company no. 16, p.11)*

*“So, because of this uncertainty, you cannot get prepared in advance because we actually don’t know what will happen. The government has announced that from 1/1/2018 will implement the “overnight tax”, so in a normal situation I would have increased the prices of rooms by 0.5 cents but I will not do it yet because we don’t know if they will do it or not...” (Company no. 10, p. 5)*

The constant changes render the taxation VAT framework highly unpredictable and complex; several SMEs managers reported that they feel highly uncertain about the future. Participants appeared to be worried about the intentions of the current and forthcoming governments, meaning further increases in VAT rates and imposition of new taxes. This notion reveals the experience of state uncertainty by participants and can be supported by the following evidence:

*“Well, now it has become a habit...every year they change taxation. Unfortunately, the changes are only upwards. They might change it again next year...who knows? We don’t know what will happen next year or the year after...this is a big problem for all enterprises, for investors, for everyone...” (Company no. 15, p.17)*

## Capital controls

The SMEs experienced high level of state uncertainty regarding the Greek government's policy for capital controls. This particular monetary measure was totally unpredictable by participants as it was imposed unexpectedly during the peak tourist period and caused confusion and major problems to the already damaged Greek market. As three managers of travel agencies characteristically stated about their ability to predict capital controls:

*"Of course not, by no chance...it was something unpredictable which caused confusion and a small turbulence. I am always speaking about Karpathos; maybe other areas have been affected more by this change. It was a change that, at the beginning, made our life difficult...." (Company no. 15, p.11)*

*"Certainly not...Who could predict that? This happened suddenly, banks closed as well...there was an upheaval during that period..." (Company no. 20, p.7)*

## Governmental regulations

In addition to the above, the participants' uncertainty perceptions have been also affected by changes in the tourism regulation framework. Indeed, SMEs managers stated that changes in tourism legislation are very common and there is a need for a more stable framework which will protect their interests. The analysis has shown that few SMEs managers acknowledged that it is difficult to predict regulations changes; in that respect, they experience high level of state uncertainty. Interestingly, the types of effect and response uncertainty were not reported by participants:

*"Of course there is...we don't know what will happen...there is a gap in legislation regarding this aspect. This is obvious...we have talked with the Minister of Tourism about that issue..." (Company no. 13, p.10)*

*"Regulations change frequently. From time to time they decide to impose - implement various measures. You cannot predict that...you don't know what they will*

*request from you to do as a company. Moreover there are times, as at present, where you do not know when this measure will be applied...” (Company no. 16, p.11)*

#### **4.2.1.3. Macroeconomic state uncertainty**

According to the analysis several participants experience high level of state uncertainty related to the economic crisis and the exchange rates. Those uncertainty perceptions appear to have triggered the development of the SMEs inter-organizational networks in terms of their structure, relationships and exchanged content.

##### **Economic crisis**

Several interviewees appeared to be highly uncertain about the future of the Greek economy and eventually of their enterprises. As they mention, the economic crisis that hit the country was totally unexpected and caught everyone unprepared (the government, enterprises and citizens). The participants acknowledged their inability to predict the crisis, its duration and harsh impact on the tourism SMEs (implied effect uncertainty) and generally the Greek society. Furthermore, at this point, the constant changes in the economic climate of Greece (e.g. bailout programs from Troika) alongside the incorrect/ambitious estimations of official organizations (e.g. Bank of Greece in March 2016) and politicians rendered impossible a long (even short) – term prediction of the course of the Greek economy (CNBC, 2019; Euro – news, 2018). It is important to mention that participants correlate the 10-year economic crisis with the internal political instability which prevails in the country and believe that both feed the perceptions of uncertainty.

This high-level state uncertainty has caused agony and fear to the managers of tourism SMEs for an even greater economic downturn which consequently will adversely affect tourism industry. The following evidence can support this:

*“Yes, before the crisis, we couldn’t imagine that something like that could happen...so afterwards we set safeguards since we lost a lot of money.” (Company no. 11, p.10)*

*“No, we couldn’t predict that. This is why we had very few Greek tourists...Yes, definitely...it was unpredictable. Greeks nowadays prefer to go for vacations in friends’ houses and in that way they try to avoid the costs of a hotel...” (Company no. 18, pp.4&5)*

## **Exchange rates**

A small number of SMEs referred to the changes that unexpectedly occur on the currency rates from time to time and are triggered by several factors (e.g. governmental policies); these changes might affect the inflow – outflow of tourists. Participants mentioned that are unable to predict when these changes will occur, the trends (e.g. devaluation) of each currency and finally if and how these currency changes will influence the traveling – spending attitude of tourists (implied effect uncertainty). Specifically, a manager from an Athenian travel agency, mentioned that the devaluation of the US dollar, compared to euro, had adversely impacted his enterprise since it increased the traveling and staying costs for American tourists who finally decided to cut down part of their activities in the destination. Another manager from a hotel in Chios Island reported the devaluation of Turkish pound which forced his enterprise to lower their prices in order to retain their clientele from this particular market. This particular inability to predict currency changes – trends has raised the level of state perceptual uncertainty and can be illustrated in the following quotes:

*“I couldn’t (predict) but I should have thought about that. You cannot predict the exchange rates...that are difficult to predict...” (Company no. 13, p.11)*

*“These fluctuations and devaluations in currencies happen quite often but unfortunately we are not able to know when. So we were obliged to adjust to these facts, we dropped our prices...we don’t offer [to Turkish tourists] the same prices as before since we saw that Turkish currency is devaluated by 20-30% we had to adjust in order continue having clientele from this market.” (Company no. 27, p.12)*

### **4.2.1.4. Socio – cultural state uncertainty**

The participants’ answers regarding this aspect are limited since these particular events affected mainly the SMEs located in Athens. However, they reflect the inability – difficulty of managers to predict those events (state uncertainty).

### **Social riots – demonstrations**

The managers of Athenian SMEs reported that they could not predict these events although there were prior signs indicating that demonstrations will take place in the city centre of

Athens and Thessaloniki; for example, the government was about to announce the implementation of austerity measures according to the commands of Troika, the creditors of the country and several unions had already began exhorting (encouraging) people for strikes and demonstrations. The level of perceptual state uncertainty is high among SMEs managers who afraid that similar, political protest (demonstrations, strikes) might happen again due to the long standing, deep economic crisis. The following evidence can support this:

*“...you cannot predict incidents like that, you cannot know in advance what will happen in these situations, if things will go completely out of control just like back then.” (Company no. 9, p.6)*

*“No, you cannot predict that. It is impossible to know when people will rise up [will be up in arms]. For example, people go on strike or demonstrate on the streets when they disagree with a new law that the government might vote or the new measures the government is planning to implement.” (Company no. 20, p. 4)*

#### **4.2.1.5. Competition state uncertainty**

According to the analysis, the competition domain constitutes a secondary source of uncertainty for the managers of tourism SMEs. The participants have mainly experience state and effect uncertainty while the type of response uncertainty was not met in the answers.

##### **Entry of new competitors**

Several participants mentioned that they were unable to predict the dynamic entry of new competitors in the industry, even though a few of those particular enterprises have been thriving in big European markets. For instance, the hotel managers reported that they were aware that the Airbnb is a well – known online platform which has attracted the general attention of the stakeholders of tourism industry, however, they couldn’t predict – expect that Airbnb will resonate so well to the Greek tourism market and will spread to all the popular tourism destinations of Greece so quickly (e.g. Athens, islands, such as Mykonos, Crete etc.). The same applies with the travel agencies managers who could not foresee that the number of their competitors (online and physical travel agencies) will be increased so

quickly. Based on this managerial inability, state uncertainty could be characterised as moderate since in both cases, there were indications deriving from foreign markets, on how things will evolve but still Greek managers remained unable to fully predict these particular developments. The following evidence can support this:

“Yes, competition is too strong. We could not have predicted that so many companies would enter to the “game”. (*Company no. 16, p.6*)

“Ok, we could see that. However there was a sudden boost on all that, quite unexpected...This came with the internet development. Nowadays, “new” tourists who are familiar with internet prefer that method. Constantly, similar companies “arise” [are founded], I mean at the beginning there were some and suddenly the number of online agencies increased abruptly.” (*Company no. 20, p.15*)

#### **4.2.1.6. Summary – state uncertainty**

In sum, the analysis revealed that the SMEs’ managers – owners have experienced high level of state uncertainty in regard to the external business environment. The majority of the participants mentioned that experience an inability to predict the changes that occurred – and still occur – respectively to each sub – environment. This finding indicates that Greek tourism SMEs lack the necessary information which could help them to identify, foresee – at least to some extent – the coming changes. This resonates with the general argument that SMEs face significant resource shortages which are commonly described as liabilities, namely the liabilities of smallness and foreignness.

The decision – makers of SMEs are called to answer the question “what’s happening out there?” in regard to their external environment. However, due to their liabilities of smallness and foreignness, they have imperfect access to information and therefore the decision – makers are unable to fully understand and predict the changing state of the external environment. Despite the long – standing experience of most participants and also other attributes of theirs, such as the educational background and tenure, they feel highly uncertain about the developments in their external environment. The perceived high state

uncertainty can be justified by the fact that the SMEs which took part in the research, lack essential resources and capabilities, such as finance and personnel, and as result cannot allocate the right efforts to search, identify and acquire the necessary information. In addition, in several occasions, for example in the case of the economic crisis and the management of the national debt, there has been false briefing from the side of the government and the relevant institutional organisations and as result, the SMEs' managers – owners have been misguided, confused and stressed even further about the state of the governmental and macro – economic sub – environments.

#### **4.2.2. Effect uncertainty**

The SMES experienced effect uncertainty which however was associated to three environmental domains. Importantly, the intensity level of effect uncertainty varies among these three domains, namely it is low and medium in relation to governmental domain while it is medium and (to some extent) high in relation to the socio – cultural and competition domains respectively.

##### **4.2.2.1. Governmental effect uncertainty**

The analysis showed that participants could understand the impact of the policies changes in their organizations. A few participants mentioned that had some difficulties to fully understand the implications of those changes. The low and medium level of the experienced effect uncertainty will be examined in relation to taxation and capital controls:

#### **Taxation**

The type of effect uncertainty was not often met in the answers, however, five participants – general managers of hotels – mentioned that they could predict the impact of the aforementioned taxation changes on their enterprises. In fact, those participants stated that taxation changes, meaning the increases of VAT rates and the overnight tax, will affect the flow of tourists and the profit margin of their enterprises. Their answers indicate that the level of the experienced effect uncertainty is low and can be supported by the following quotes:

*“Yes, the increase on taxes automatically means profit decrease. We knew what was coming, economic results are pretty standard.” (Company no. 9, p.21)*

*“No, we immediately realized their impact. We knew that all these would affect the flow of tourists to the island, our revenues...that’s why I told you that we were afraid that we would lose our jobs.” (Company no. 11, p.10)*

Just to add that a sixth participant who is the manager – owner of a small hotel can be considered an exception to the above notion since he expressed a different opinion from the above five hotel managers. As he stated, he wasn’t sure how the overnight tax, which was planned to be implemented on January 2018, would impact his hotel and what problems could emerge. This opinion can be considered as high-level effect uncertainty:

*“We haven’t seen it in practice because our hotel opens in April, it is still closed for 2018. We are afraid that it will create many problems...we might be obliged to tell our customers...that they have to pay 8 – 11 euros extra, this is a significant problem...our reputation might be damaged, the tour operators and agencies refuse to absorb this tax...but still, we don’t know how the customers will take it, if they will start moaning or not. This is going to be a problem...” (Company no. 2, pp.8&9)*

### **Capital controls**

As described above, several participants referred to the type of effect uncertainty; according to their answers, the experienced level of effect uncertainty can be mainly considered as low and medium. In terms of the low level, five participants stated that it was not difficult to understand the implication of capital controls on their organisations. This perception indicates a low level of effect uncertainty and can be supported by the following evidence:

*“No, no, from the very first moment we realised that there would be cancellations. That was natural, I mean when you see that banks close and that you can withdraw from the ATMs 160 euros per week, then you are not interested in vacations, [but] you are concerned for other things...We also had cancellations from abroad, I remember groups from Spain and Italy cancelled their trips...” (Company no. 20, p.8)*

*“...we realised that we would have a problem with our liquidity and our customers were concerned about the withdrawals from ATMs...” (Company no. 13, p.10)*



On the other hand, two participants mentioned that they could understand partly the impact of capital controls; they reported that this measure – change (capital controls) will affect the functionality of their business but still some aspects of this impact were difficult to be predicted and understood. Also, just to note that there was one exemption, a hotel manager – owner who acknowledged the difficulty of predicting how capital controls will affect his enterprise. The following quotes can support the presence of medium and high level of effect uncertainty respectively:

*“Well, we knew that [capital controls] will affect our liquidity; we thought that we will have a problem on this matter. [We thought] that the next days we might not have cash to pay the employees and our suppliers, we didn’t know when banks will open again and how this will evolve...it was a bad period for us and I believe for all Greek companies...” (Company no. 9, p.21)*

*“Our most important concern is that we don’t know if we are going to be full, if we will have customers and so on. It also caused us functional problems, higher fatigue for the staff, more responsibilities and stress...” (Company no. 2, p.11)*

#### **4.2.2.2. Socio – cultural effect uncertainty**

The participants have experienced medium level effect uncertainty in regard to the socio – cultural changes that occurred in late years. The SMEs’ managers could partially understand the impact of these incidents to their enterprises:

##### **Social riots – demonstrations**

Specifically, the participants stated that they could understand that political protests would have adversely affected their enterprise. However, they could not predict the duration of these incidents and the actual extent of their impact. As already mentioned, the demonstrations – strikes are not an unusual phenomenon for the city of Athens, but most of them normally last from few hours to one to three days the most while on the particular occasions discussed by the interviewees, the political protests lasted for too long (e.g. 2 – 3 months). In fact, there were some social movements which encouraged people to a series of

demonstrations and strikes that lasted weeks, even months. Therefore, based on these answers, it could be said that the level of effect uncertainty is medium to high:

*“...you can understand [impact - effect] that and see it directly, tourists didn’t want to visit Athens and generally they were concerned about the situation in other cities as well. So, yes, we knew that this would have a negative impact on tourism but we didn’t know the extent of the impact and how long it will last.” (Company no. 20, p.7)*

*“Well, we were afraid that we would have had many cancelations. We knew that foreign media were presenting a very bad picture of the city, so we were afraid that worse things could occur. In fact, foreign media exaggerated about what was happening back then, our partners abroad informed us about that...We were not sure how long this would last.” (Company no. 9, p.10)*

#### **4.2.2.3. Competition effect uncertainty**

The analysis showed that the participants feel unable to an extent to understand the impact of their competitors’ practices/strategies on their enterprises.

##### **Entry of new competitors**

Specifically, the level of effect uncertainty is considered to be medium (relatively high) and seems to be following a course analogous to the number of new entrants in the tourism sector. The more competitors that enter to the sector, the higher the level of effect uncertainty it becomes since SMEs managers have to encounter/apprehend the impact of many new practices. In fact, several managers expressed their agony for the survival of their own enterprises and mentioned several possible effects that might accrue from the entry of new competitors. The managers expressed their agony because these possible effects concern directly the survival of their own enterprises, however, they are not sure if these will actually occur or are just wrong estimations of theirs. This can be supported by the following evidence:

*“...in any case, “booking.com” has been developing very quickly in different levels; similarly the other online agencies. It has packages for cruises, everything...I mean that at any moment we could be out of the map, their services have been increased,*

*they include all destinations – I am talking now...worldwide - and our job might be needless in a few years from now, we don't know that.” (Company no. 20, p.15)*

*“...at the moment, the airbnb hasn't affected us. However, I feel nervous (insecure) because the island is relatively close to Athens and many wealthy people have built luxurious apartments which can be offered as tourist accommodations [in Airbnb platform]. Due to that, we might be in danger in the future, not from the rooms to let but from luxurious apartments which can be offered in low prices...” (Company no. 2, p.9)*

#### **4.2.2.4. Summary – effect uncertainty**

In sum, the analysis revealed that the participants experience low and medium level of effect uncertainty in relation to three sub – environments, namely the governmental, the socio – cultural and finally the competition. Now, managers are called to answer to the question “how is this event or trend going to impact on our organization?”. Interestingly, the answers regarding the first sub – environment (governmental) vary and have been characterised as low and medium whereas the answers regarding the socio – cultural and competition sub – environments indicate the experience of mainly medium effect uncertainty.

Specifically, nearly all participants, referring to the taxation and capital controls, mentioned that they could adequately understand the impact of those changes in their enterprises. However, a few claimed that several aspects of the governmental changes (particularly of capital controls) were not clear and thus its impact could be partly evaluated. The low level of effect uncertainty in relation to taxation, namely the managers' ability to analyse/interpret the relevant information is very likely based to their experience that have gained from similar past events. The taxation framework has changed several times in the past and the managers know that the VAT increases would result to the decrease of their revenues and eventually to their profit. That does not apply for the capital controls because the relevant experience of managers is considered to be limited. This particular fiscal measure was completely new to the Greek market and thus it can be assumed that managers had limited experience, therefore the effect uncertainty would have been high instead of low. In fact, the imposition of capital controls initially caused high state

uncertainty and led to changes in the exchanged content between the Greek SMEs and their domestic – international partners. Greek SMEs sought for further information by their partners and perhaps this enabled them to better interpret the influence of capital controls (low level of effect uncertainty). However, not all SMEs received the necessary information from their partners and therefore some of them could partly understand (medium level of effect uncertainty) the impact of this change.

In the cases of socio – cultural and competition domains, the experienced effect uncertainty has been considered to be mainly medium. This can be attributed to the participants' attributes, such as prior experience and information process capability which seem to have certain boundaries. For example, SMEs' managers have experienced in the past social riots – demonstrations and thusly have the ability to understand to some extent the impact of these incidents to their enterprises. But, the severity and duration of these events are hard to be anticipated since they have been triggered by several unpredictable factors (such as the austerity measures). Also, other SMEs internal shortcomings, such as lack of personnel, prevent the decision – makers to adequately interpret and understand the impact of these incidents.

#### **4.2.3. Response uncertainty**

The type of response uncertainty was rarely met in the data. However, the participants mentioned that experienced high level of response uncertainty regarding the changes on the governmental policies, particularly in the aspect of capital controls.

##### **4.2.3.1. Governmental response uncertainty**

The answers were limited and also mixed and show that participants experienced high, medium and low level of response uncertainty. Their answers concern the fiscal and monetary unpredictable changes:

##### **Taxation**

Again, five participants – managers of hotels – referred to response uncertainty; two of them mentioned that they faced difficulty in identifying an effective response to the changes that occurred in the taxation framework; the rest three mentioned that proceeded

to some actions, however two managers were not sure that their choices would have definitely been effective and only one appeared to be confident about the choices taken:

*“No, I didn’t know that. We didn’t have many choices. Choices are limited, especially when a lot of changes happen. You just try to do the best you can.” (Company no. 19, p.8)*

*“No, from the very beginning I knew what to do but unfortunately, it didn’t work out very effectively. You have to be “brave” in order to proceed to changes upon these issues...for example, to say “I have to increase the prices by X percentage in order to face the VAT increase of 2015”.” (Company no. 10, p.7)*

### **Capital controls**

The analysis has revealed that four participants experienced high level of response uncertainty since they faced difficulty to identify possible response options in order to address capital controls. Indeed, capital controls created a new harsh condition for SMEs and managers were unable to formulate an immediate response or choose from a “pool” of already tested – effective strategies.

*“Yes, there were difficulties for our company...There is not a magic “recipe”. So the difficulty is that I try, test (a response)...no, you cannot be able to know, under no circumstances...neither what you can do.” (Company no. 1, pp.20&21)*

*“Yes...a new [situation] was created for us, actually, for the whole society. Several problems emerged – such as this with google – and we didn’t know how to face them. In my opinion, that period was very difficult for most of the Greek companies...” (Company no. 13, p.15)*

### **4.2.3.2. Summary – response uncertainty**

In sum, the answers regarding response uncertainty are mixed and are mainly related to the governmental sub – environment. The general notion of participants is that they faced difficulties in identifying an effective response to the changes that occurred in the taxation

framework and the fiscal policy. This indicates that the level of the experienced response uncertainty was mainly medium and high but there were also very few exceptions who appeared to know how to react.

Now, the decision – makers are called to answer the question “what action are we going to take?” but as they mentioned they faced difficulties since the available responses were limited and also the effectiveness of each response was difficult to be accurately evaluated in advance or during its application.

Likewise to the cases of state and effect uncertainty, the SMEs liabilities, meaning, the liabilities of smallness and foreignness have played crucial role and inhibit the decision – makers to identify an effective response to the environmental changes. For instance, the SMEs lack of qualified personnel and therefore are unable to easily detect possible answers to the changing environment. Furthermore, the decision – makers’ characteristics, such as the experience and educational background, are considered to be essential in this particular process. However, the participants acknowledged that they don’t have the necessary experience to address these changes and the problems that have emerged.

### **4.3. Network development and perceived environmental uncertainty**

This section will show how the SMEs’ perceived environmental uncertainty triggered network development at the inter-organizational level. This inter–organisational network development involves the changes in terms of the structure, the strength of relationships and the exchanged content on the SMEs’ collaborations of their vertical and/or horizontal networks. These changes in both, the structural and interactional dimensions were achieved through several processes (such as dissolution of ties and strengthening of relationships) which, based on the applied philosophical framework of critical realism, are regarded as the causal mechanisms which triggered by PEU and consequently led to the generation of the network development.

The vertical networks of the participating SMEs, among others, include long–term collaborations with suppliers (e.g. travel agencies), customers (e.g. sport clubs or schools) and other organisations (e.g. banks) while horizontal networks include collaborations with

tourism Associations (e.g. Attica and Argosaronic Hotel Association) and similar companies (e.g. other hotels or travel agencies).

### **4.3.1. Network structure and uncertainty**

The analysis shows that the structural network developments have been mainly triggered by the state uncertainty associated to the five environmental domains – an exemption constitutes the competition domain where perceived effect uncertainty contributed also to structural developments. As stated previously (section 4.2.), participants reported that they were unable to predict crucial incidents that occurred in recent years and thus feel highly uncertain about the developments in their external environment. This inability to predict future significant events, either in the political or the other external domains, has driven the SMEs managers – owners to develop the structure of their vertical, domestic and international networks throughout the last seven or so years. These structural developments refer to network churning, including the ties deletion and also ties creation. In that respect, tourism SMEs:

- deleted, deliberately or not, their ties with international and domestic partners with whom were mainly connected with yearly or longer contractual agreements
- formed new ties with partners in the existing domestic/international markets and/or in new international markets

#### **4.3.1.1. Network churning – tie deletion**

The findings show how state uncertainty caused the churning of the SMEs' inter – organisational networks in regard to tie deletion. This structural development refers to the reduction of the network size due to the deletion of ties with current partners. Interestingly, the findings reveal that, in several cases, the deletion of ties was triggered by the partners and not the Greek SMEs. In addition, the findings show that there are two types of ties deletion, meaning the temporary suspending of network ties which was more evident in the political state uncertainty, and the permanent termination of network ties.

##### **Network tie deletion – triggered by partners**

Many SMEs reported how their ties with certain partners – mainly international, big tour operators, the so called “traditional” partners, were deleted due to state uncertainty. The

high level of state uncertainty reduced the trustworthiness of the Greek market – consequently of Greek SMEs – and therefore a number of the SMEs’ international partners decided to stop cooperating with them, either permanently or temporarily for a shorter period of time.

More specifically in regard to the permanent deletion of ties, the networks of SMEs from Chios were shrunk severely due to political state uncertainty and inevitably caused a big downfall to the incoming tourism of the island. Major international tour operators were reluctant to continue cooperating with Greek SMEs because of the high level of uncertainty that was mainly escalated by the immigration issue. The majority of managers from Chios reported that over the years and, as the immigration problem was getting more intense, big tour operators have cancelled their charter flights to the island and incoming tourism from European markets, such as Holland and Belgium, was reduced dramatically. The following quotes provide supporting evidence:

“...Holland is (considered to be a) friendly market to us. Our ties had been cut; they didn’t want to cooperate with us due to the airport [lack of infrastructure] and other factors such as immigration...” (*Company no.11, p.6*)

“Yes, these collaborations have frozen...we saw that trade agreements with tour operators had been cancelled, that some contracts had also been cancelled...actually, it was them [tour operators] who decided to stop cooperating, not us...because of the unstable state of Greece, because of immigration but also due to lack of infrastructure.” (*Company no.27, p.15*)

This finding is illustrated by two quotes from managers from Chios local organisational departments of tourism sector who also described the current difficult condition of local tourism SMEs because of the ties deletion with their international partners:

*“Our hoteliers, here on the island, used to collaborate with European tour operators...with big tour operators who were sending charters with their clients in Chios and other islands, in Lesvos...as you can see, tour operators have a cautious*



*attitude towards our island due to its involvement with the immigration issue.”*  
(Company – organization no.33, p.8)

*“Specifically in the regions of “Agia Fotia” and “Karfis”...those two regions were very popular, mainly to European visitors, they used to come with charters from countries such as Holland, Czech Republic and Belgium but they stopped coming because of immigration. Hotels and rooms to let stopped cooperating with tourist agencies and tour operators from these countries.”* (Company – organization no.34, p.5)

In addition, the macro – economic state uncertainty caused by the severe economic crisis, changed the attitude of the international tour operators towards Greek tourism SMEs and in several occasions caused the stoppage of their cooperation. In that respect, participants reported that tour operators from the traditional western markets, such as Germany, decided to stop sending their customers in Greece due to the uncertain financial condition the crisis has caused.

*“...It was a significant market (Germany) where I had one important partner and he filled 50% of my rooms...we had German tour operators who stopped working with us...This generally happened with Western Europe, demand was decreased in these countries...”* (Company no.25, p. 5)

Furthermore, the English national newspaper, the “The Independent” (2015) reported the aforementioned attitude of the foreign tour operators and gave an indication on the climate of the collaborations between them and Greek tourism enterprises during that period “...the uncertainty projected abroad by doubts over Greece’s place in the euro has led many tour operators and holidaymakers to cancel their trips.”

Interestingly, the deletion by the international partners could be temporary. For instance, certain external incidents (e.g. immigration) alongside with the internal political uncertainty in Greece, affected the state uncertainty perceptions of the international partners of SMEs, in particular the perceptions of big tour operators. As a result of their political uncertainty, international tour operators decided to, temporarily, stop cooperating with Greek SMEs.

More specifically, hoteliers from Athens reported that tour operators were sceptical and concerned about the turbulent situation and *“did not want to send their clients to Athens, a city that was not safe...”* (Company no.7, p.8)

*“...especially in the early days it affected us very much, we did not have reservations... and all this situation set us back with respect to collaborations with tour operators. ..So our co-operations with others, like TUI for example, were left behind. The agreements we had with TUI had been held up...”* (Company no.7, p.9)

The temporary tie deletion was also triggered by the socio – cultural state uncertainty. Specifically, several managers of Athenian SMEs reported that the political protests of 2010 and 2012 raised concerns to the international tour operators, agents and holidaymakers about the safety – security conditions in the country, particularly in the city of Athens. Based on the TV broadcasts, the newspapers and (governmental) reports, a number of tour operators – agents decided to postpone – at least temporarily for that period – any activities in Athens due to the high level of uncertainty deriving from the social unrest. In that respect, the collaboration between Greek SMEs and some of their foreign partners stopped and caused a temporary network shrinking.

*“...this [travel] agency was about to bring 5,000 people and preferred to transfer the conference in Constantinople because it was a safer and cheaper destination, this was the answer by this agency...“Athens is not safe at the moment, I will transfer the conference to Constantinople, it is a safe city and way cheaper than Athens”. This is what happened then, now the situation has been reversed, Constantinople is on the danger zone and Athens is a safe destination.”* (Company no.29, p. 18)

### **Network tie deletion – triggered by Greek SMEs**

The analysis reveals that Greek SMEs, triggered by state uncertainty, deleted their ties with a number of the existing domestic – international partners for certain reasons; for example to achieve cost reduction, to avoid less credible partners while in other occasions the termination of the cooperation was somehow obligatory due to the bankruptcy of the partners and their exit from the market. According to the findings, governmental and macro

– economic state uncertainty are considered to be the main triggering factors that led Greek SMEs to shrink their networks.

More specifically, in regard to taxation several managers – owners of hotels reported that the increases on the VAT rates alongside the imposed overnight tax consequently increased the final price of the hotel rooms. Therefore, in order to address these changes and due to the increasing uncertain state of the taxation regime, the managers – owners decided to cut down their costs and eventually create a more appealing price for the customers. In that respect, they proceeded to a more careful assessment of their collaborations and stopped cooperating with suppliers – e.g. travel agencies or electricity supplier – who were charging high fees and were not willing to reduce them despite their long – term cooperation. The following evidence can support these actions:

*“For example, we contacted with our supplier of electricity. Since, we were trying to compress the prices, we searched and found a supplier who was more economical than our current one and thus we started cooperating with him.” (Company no.10, p.5)*

*“We used to cooperate with four tourist offices when this issue emerged (taxation increase), two of the four offices told me “Kostas, I cannot do something better for you”...at the same time, we looked for offers from other offices and thus we proceeded to new collaborations. The initial collaborations were not profitable for us, we had to stop them.” (Company no.19, p.5)*

Additionally, another critical change was the imposition of capital controls which inevitably increased the level of state uncertainty and caused major difficulties in the transactions of most Greek companies, including tourism SMEs and their partners. Due to this uncertain monetary state, managers of tourism SMEs decided to delete ties with domestic partners who appeared to be unable to pay on time. For example, two managers referred to the stoppage of cooperation with several partners (travel agencies and customers) due to this particular reason:

*“We stopped cooperating with some other agencies which tried to exploit it (the situation) saying “this is a period of capital controls and I am not able to pay you now...” In these occasions we either stopped our cooperation or we became stricter on the terms.” (Company no.29, p.15)*

*“Redefinition in everything, some companies, for example, left. We stopped cooperating...When you get paid in 90 days let's say...you cannot cooperate...When they tell you that they will pay you in 90 days, the gap that is created is very big...How will you cover it? And is this company doing well? Does it issue many tickets?” (Company no.16, p.13)*

Interestingly, several domestic and international partners of tourism SMEs adopted a more cautious approach to the matter of capital controls. On that point, they changed their tactic requesting the payments for orders to be made in cash and suddenly stopped providing credit limits. As a result, tourism SMEs decided to cut the ties with these suppliers and sought for new ones:

*“Yes, I stopped cooperating with them...and suddenly they say: “You either pay me in cash or I will not bring the things you ordered.” And then I cut them off. I said, “forgive me, but after all...you know very well that you will not lose your money...we have been working together for 15 years. So, I have no reason to buy things from you since you do not support me when I am in need”. I'm going to find another supplier...” (Company no.5, p.6)*

*“In fact, he (the supplier) demanded to get paid in cash...he didn't even discuss this issue with us and obviously when he received the order he didn't inform us in advance about that change in the payment procedure. Immediately, we searched for another partner and fortunately we managed to find one, so the previous cooperation ended there...” (Company no.9, p.13)*

Furthermore, in regard to the macro – economic state uncertainty, several participants mentioned that, during the period of financial turmoil, stopped cooperating with some of their Greek/domestic partners. These ties deletion occurred mainly for two reasons; firstly, a big part of the Greek enterprises (mostly SMEs) went bankrupt since the crisis began and secondly, another big part of the Greek SMEs were struggling to operate effectively within this new, hostile and competitive environment and their credibility was reduced. The newspaper articles of that period reflect the general stagnation of Greek SMEs caused by the crisis and reported that one fourth of Greek SMEs, meaning 250,000 out of total 1m, declared bankruptcy in 2015 while other SMEs were hardly hit by the falling demand and lack of capital (Financial Times, 2015; 2017). Therefore, it could be said that tourism SMEs were “obliged” to stop cooperation with several Greek partners of theirs. The following evidence can support this:

*“...we have reduced significantly our collaborations compared to the past. The previous years, our enterprise had a lot of collaborations with foreign tourist agencies and Greek as well. Greek collaborations have been reduced because of the uncertainty, specifically due to the uncertainty that exists in the economic domain...(Company no.9, p.2)*

*“Also at the same time we were cooperating with some Greek tourist agencies which closed due to the crisis...” (Company no.11, p.9)*

#### **4.3.1.2. Network churning – tie creation**

The findings reveal how state and to a lesser extent effect uncertainty motivated the Greek tourism SMEs to churn (expand) their vertical networks through the creation of ties with new partners; SMEs achieved the creation of new ties either by entering to new international markets and/or by increasing the activity in (domestic, international) markets where they were already active. Greek SMEs, mainly due to state uncertainty, formed new ties with new partners in order to accomplish several goals. For example, they became more outward orientated in order to increase the percentage of incoming tourism and thus to fill the gaps in their clientele which have been created after the stoppage of significant collaborations. At the same time, they were willing to be less dependent to certain partners

while in other occasions they were willing to achieve cost reduction and therefore to increase their competitive advantage in the market (domestically and internationally).

### **Existing domestic – international markets**

Several SMEs approached new partners to establish new collaborations in the existing – traditional European markets (e.g. Netherlands, Nordic countries), to the USA and also to the Greek – domestic market. Political and macro – economic state uncertainty prompted the Greek SMEs to the expansion of their networks. As already discussed in Sections 4.2.1.1 and 4.2.1.2, the political instability and the economic crisis increased the level of state uncertainty and adversely affected the demand of both incoming and domestic tourism. Indeed, certain political incidents deter tour operators to send their customers in Greece and also the nearly 10 year economic crisis had devastating consequences on the Greek economy and on the income of Greek households which could not (or not willing to) afford their vacations. Under these circumstances, tourism SMEs decided to open more “gateways” for incoming tourism and thusly churned (expanded) their networks and formed new collaborations.

*“...entrepreneurs realised that the crisis will affect directly domestic tourism and decided to do something in order to increase incoming tourism...they came in contact with foreign enterprises...from either Europe or USA. The size of their network got bigger; they expanded it by contacting new foreign enterprises. For example, they started new collaborations with foreign tourist agencies...” (Company – organization no.31, p.8)*

*“We wanted to collaborate with more tour operators, to increase our clientele from the markets we already knew...to those markets we were already active, and find new markets, and new partners...we did this on the French market. [The] French market assisted us. We have strengthened our collaborations with French agencies with which we have been already been cooperating and added a few more French agencies...” (Company no.25, p. 8)*

The expansion strategies that the SMEs applied to these markets was the FAM (familiarization) trips which, in many cases, was effective and led to the formation of several new collaborations with new partners and also the participation in tourism exhibitions. The following quotes can support this:

*“Beyond our existed partners we sent an invitation to other offices as well, we suggested them to send a “mission” with their tourist agents in the island in order to show them the island...Lately, a few new collaborations accrued with Dutch and Turkish [agencies] as a result of the familiarization trips we did.” (Company no.11, p.6&8)*

*“Yes, this year...for example, an attempt was made by a Chian tour agent, he went to a specialized exhibition in the Netherlands in order to start collaborations with new tour operators that deal with more specific issues.” (Company – organization no.33, p.10)*

At the same time, Greek SMEs expanded their networks in the domestic market in order to diversify their service and in that way to increase the inflow of incoming tourists. Tourism SMEs, particularly hotels, began cooperating with local Greek agricultural producers – companies in order to build a strong Greek “brand – service”, recognizable from foreign tourists, and thus to be differentiated from their competitors – hotels of other destinations. This action can be supported by the following quotes:

*“...there is now cooperation between local producers and hoteliers...this was an initiative of Hellenic Chamber of Hotels. This is a good example of network development; maybe you should investigate it further...” (Company – organization no.32, p. 8)*

*“Hoteliers started cooperating with [Greek] producers in order to differentiate their service and attract more foreign tourists...I think that in late years (these new collaborations) became more intense because hoteliers realised the need to differentiate the service, [to] enhance their brand identity and stop depending that*

*much from foreign suppliers...the creation of a brand is definitely an answer to uncertainty". (Company – organization no.31, p.15)*

The expansion in the existing markets was also prompted by governmental state uncertainty (section 4.2.1.2). The consecutive changes of late years (from 2010 and onwards) on the Greek taxation framework affected the prices of services – products which increased abruptly. Those changes urged tourism SMEs to firstly terminate the cooperation with high cost and/or demanding domestic and international partners (as mentioned previously) and following to seek for collaborations with new partners who could offer the same or at least similar services – products but would cost less:

*"A product has to be transferred here, this is a cost we tried to cut and consequently we stopped cooperating with the intermediate suppliers. Also, we started cooperating with logistics companies; they proposed us some privileged prices for the transfer of several products, we saw it was profitable for us and we decided to proceed..." (Company no.27, p.14)*

According to the findings, several tourism SMEs replaced the exact number of the deleted collaborations by forming ties with new domestic and international partners while others didn't act likewise and simply preferred a smaller – more trusted – network with the addition of a few partners. This can be supported with the following evidence:

*"...we searched for new partners when we realized that some of our agreements were not profitable. Before [2010], we had four (collaborations)...we have decided that we want to cooperate with four tourist offices..." (Company no.19, p.5)*

*"...at the moment we have six channels, we reserved the 6 best channels, rather we reserved the 4 best channels based on our own data and added 2 new that were either new players on the market, either too flexible or gave us a possible development of the market which we didn't have, a market that we had no contacts." (Company no.1, p.9)*



Certain collaborations of those deleted (section 4.3.1.1.) were necessary for the stable functionality of tourism SMEs (e.g. restaurant supplier of hotels), thus, managers mentioned that the initiation of “vital” collaborations with new partners happened immediately. The quotes below can support this:

*“Immediately, we searched for another partner and fortunately we managed to find one, so the previous cooperation ended there...we started a new cooperation which so far goes very well. We are satisfied from the services of our new partner.”*  
(Company no.9, p.13)

*“Some gaps were created...we stopped working with some companies and so we had to fill these gaps immediately...”* (Company no.16, p.13)

The expansion of the SMEs’ inter – organizational vertical networks did also occur after the imposition of capital controls in the summer of 2015. At first stage, as already discussed (section 4.3.1.1), the emerged uncertain monetary conditions created friction between tourism SMEs and certain domestic – international partners of theirs and consequently caused the deletion of ties; at second stage, tourism SMEs sought to initiate new collaborations with new domestic – international partners:

*“...we have searched for other tour operators. Other tourist offices or other hotels...To have direct contact...This has happened because some of our partners which we already have there, did not help us, they did not “cover” us back then with capital controls. We did not do it to punish them.”* (Company no.12, p.10)

Furthermore, several hotel managers reported that they wanted to improve the quality of their services and increase their competitive advantage. Therefore, they initiated new collaborations with enterprises which could help them on this endeavour:

*“I am trying to improve our services; we want to have high quality services. Now, we cooperate with a company which does exactly that, I mean hotel management...Taxation is just one factor; we did this because of the uncertain*

*situation that exists in late years. I don't know what else might come up...I am aware that future is unpredictable, so I want to improve my service and reach the highest possible level..." (Company no.23, p.8)*

At the same time, the new conditions generated the need for collaborations with companies offering different services to the ordinary of tourism sector. For example, the sales executive manager of a travel agency mentioned the following:

*"We started two new collaborations. This is a collaboration with the company that gets - checks the credit data and another one with trade credit insurance...The insurance company that insures customers. We started working with "Tiresias" [Greek Credit Bureau] to be able to get this information." (Company no.16, p.15)*

In addition, the competition state, and to a lesser extent, effect uncertainty urged the Greek SMEs to expand their networks in the existing market. The analysis shows that several participants feel highly uncertain about the competition within the sector since they appeared unable to predict how many new competitors might appear, what practises they will apply and how these will affect their enterprises (section 4.2.1.5 & 4.2.2.3). Again, (as seen in the case of governmental state uncertainty), tourism SMEs wanted to increase their competitive advantage against the current and potential competitors by improving their services and lowering their prices. In order to achieve that goal, they proceeded to new collaborations with new partners. For instance, a travel agency from Athens willing to compete the prices of the online travel agencies, initiated, quite recently, new collaborations with wholesale tourism suppliers. These actions can be supported by the following evidence:

*"We should also have competitive prices. [We should] drop our prices, thus we began cooperating with 2 wholesalers, "St. globe" and "beds online"...at the beginning of 2015...We have managed to drop our prices, to create packages for several destinations with lower prices and in a way to compete the prices of online agencies." (Company no.20, p.16)*

*“...we started some collaborations, a company now provides us with reporting software, the MIS [management information system]. We are looking into that, see what can be done, how we can improve our service. We must be competitive within the market and this is also related to technological development.” (Company no.16, p.6)*

### **New international markets**

The analysis reveals that several SMEs, due to the political, governmental and macro – economic state uncertainty, had to be more active and gained access to new international markets in order to establish new collaborations. In that way, Greek SMEs wanted to cover the falling demand of domestic tourism and/or the gaps that the deleted collaborations with foreign tour operators have created. In that respect, several SMEs, apart from the existing – traditional markets (e.g. Germany, Netherlands), approached foreign companies in new European markets. For instance, several SMEs entered the Eastern European countries, such as Poland and Russia, while others approached companies from the Balkan countries, such as Serbia and Romania or entered to the Turkish market.

*“...we wanted to enter into new collaborations, to enter into new markets...when the German market “left”, we entered into other markets, we approached other tour operators from other markets, from Poland and Russia...” (Company no.25, p.15)*

*“...Chian professionals try to find a “door” to (gain access to) the markets of the Balkan countries, in Romania, in Serbia...in these countries. This year, the “North Aegean Region” also reached out these markets and participated in some exhibitions, so professionals are also trying to establish some new partnerships with agencies and tour operators.” (Company – organization no.33, p.10)*

As happened in the creation of new collaborations in the existing markets, Greek SMEs applied the strategies of FAM trips and the participation to tourism exhibitions in order enter to new international markets. For some SMEs, the formation of these new international networks was facilitated through the existing domestic network ties. For example, SMEs from Chios, with the support of the local Associations and other entities (e.g. Municipality), managed to enter to the Turkish market, to form new collaborations and attract customers from big neighbouring coastal cities such as Smyrna. In fact, Greek

entrepreneurs, in their effort to form new ties and expand their international network, contacted with “Tursab” (Turkish Association of tourist agents) and participated in tourism exhibitions in Turkey where they had the opportunity to meet with potential partners. Following, they arranged several familiarization trips (FAM trips) inviting Turkish tourist agents to visit them, to assess the destination and eventually establish long term collaborations. As a result, new collaborations were created between Greek and Turkish tourist enterprises; this enhanced tourism income through the inflow of Turkish visitors:

*“We went to tourist agencies of Smyrna and told them to visit us in order to see our carnival...we managed to increase the number of Turkish visitors to 70k and now this number might be 80k...in 2010, we had 5k visitors and average stay was at 1 night while now we have over 70k visitors who stay in the island more than 2 – 4 days...”*  
(Company no.22, p.14)

*“Yes, I started working with two agencies, one in Cesme and one in Smyrna. They send Turkish tourists during the whole year...”* (Company no.5, p.11)

*“Through our associations, the Hoteliers’ association and ours [Association of Rooms to Let & Apartments of Chios] came to an agreement [with Cesme Chamber of Commerce]...In 2012 we (rooms to let from Chios) began cooperating with Turkish agencies...oh yes and earlier, in 2010 – 2011, a small number of Turkish tourists began coming to the island...”* (Company no.18, pp.5&8)

This particular – collective endeavour to Turkey was abruptly interrupted a couple of years afterwards by the unexpected attempt of the coup d’état in the summer of 2016. This external incident led to a forced temporarily stop on collaborations between Greek SMEs and their Turkish partners since the exit from the country was forbidden to Turkish citizens for nearly a month. Interaction returned to normality relatively soon during that same summer, however, state uncertainty was at high level among Greek tourism entrepreneurs who decided to adopt a more aggressive strategy, to increase their efforts and thus expand further their network in regard to the Turkish market.

*“...there was a presentation of Chios in Turkey earlier on before the coup d’état but afterwards we had to be more aggressive, we needed a more aggressive advertisement, we wanted our name to be heard again, to tell them that you are welcome here in our island...” (Company no.18, p.10)*

*“Because of the coup of etat, our activities had frozen for at least twenty days. Any incident can happen suddenly and regardless if it is temporary or not can affect our business and create problems...” (Company no.22, p.7)*

Again, this turbulence affected the uncertainty perceptions of international (European and American) tourism agencies which now considered Turkey as an unsafe tourist destination and it was very likely to choose Greece as an alternative destination to send their customers. In that respect, several Greek SMEs tried to exploit the situation and approached European agencies in order to re-activate old collaborations and/or establish new ones:

*“...But now things in Turkey are tough, there is much turbulence in the country and therefore they [Scandinavian Thomas cook – old European partner] return to Karpathos.” (Company no.15, p.10)*

*“So, we thought it would be a good idea [because of the coup d’état] to invite Dutch agents, we provided them lodging and a tour to the island; they were excited because it’s been a long time since their last visit in the island.” (Company no.11, p.6)*

Also, in a particular occasion, a Greek SME specializing in city tours had the initiative to approach Turkish agencies and proposed them to cooperate and in that way “exploit” their network. The plan was to combine their services and then Turkish agencies would bring their European and American customers to Greece:

*“...Since the moment that Turkey seemed to have a downfall in its tourism sector...I tried to approach Turkish agents who bring incoming tourism in Turkey from the USA, UK and so on...and tried to sell them our services. I told them “ok, you have your collaborations with American tourist agencies but you can’t bring customers in*

*Turkey...why don't you bring them in Greece and we can share the profit?."*  
(Company no.13, p.17)

It is important to note that this endeavour of Greek SMEs to expand their networks and create ties in new international markets was not always successful since the Greek market during that period had an increased bad "reputation" because of state uncertainty and therefore foreign companies hesitated to cooperate with the Greek tourism SMEs:

*"We tried to come in contact with several agencies abroad, in markets which we didn't have particular activity. For example, we came in contact with several agencies in Austria...The whole effort didn't work due to the existing situation – as they told us – people weren't interested and that the demand for Greece was quite low..."*  
(Company no.20, p.11)

#### **4.3.1.3. Summary – Network structure and uncertainty**

In sum, the findings showed that the structure of the SMEs' vertical networks has been developed mainly due to the high level of state uncertainty in regard to the identified sub – environments and also, to a lesser extent due to effect uncertainty, related to competition domain. These developments refer to the network churning and include ties deletion and creation of new ties with new partners:

##### **Network churning – tie deletion:**

As discussed above, in some occasions, the permanent deletion and/or temporary freeze of ties has been decided and fulfilled by the SMEs' partners (mainly the international partners) while in other occasions, the network shrinking was initiated by the Greek tourism SMEs.

More specifically, on the one hand, the findings show that international tourist enterprises – mainly big European tour operators, such as TUI and Thomas Cook (at that time) – are not willing to be active in a tourist destination which suffers from high political, macro – economic and socio – cultural state uncertainty. Unexpected changes in regard to these sub – environments can emerge at any time in Greece, might cause troublesome situations to the performance of international partners of Greek SMEs and imply a new business

environment, hostile to firms and with decreased munificence. For instance, in the case of a possible “Grexit”, international enterprises would have very likely had to face a turbulent situation with several changes in regard to the new currency (possibly of drachma) and to the terms of entry – staying of their customers in the country. Under these conditions it would be very difficult for firms to implement their strategy and their operation could be constrained.

The increasing uncertainty has negatively affected the demand for Greece as tourist destination. The Greek SMEs as well as the Greek business environment are perceived by foreign enterprises to be less valuable since tourists prefer other destinations and consequently the demand for this market has been decreased dramatically. Therefore, foreign enterprises have no incentive to continue cooperating with Greek SMEs and decided to temporarily or permanently cut ties with them. The shrinking of SMEs networks can be seen as a negative consequence of political, macro – economic and socio – cultural uncertainties which has adversely affected the capacity of business environment to support the operation and strategies of firms, and also the demand for the destination. Several Greek SMEs struggle to survive since they have been highly depended on those, so called “traditional”, partners. An example is the SMEs from Chios Island which in late years have seen their clientele from Europe decreasing due to high political and macro – economic uncertainty and consequently their revenues follow an analogous course.

On the other hand, several tourism SMEs initiated the termination of collaboration with certain domestic – international partners due to high governmental and macro – economic uncertainties. The findings show that the consecutive, unpredictable changes in the fiscal and monetary policies of Greek government alongside the macro – economic changes, caused disruption to the SMEs’ managers and increased the level of their perceptual state uncertainty. For instance, managers were worried that the recently imposed taxes will adversely affect the demand and the inflow of tourists since the rise of the prices, due to VAT rates increases and the overnight tax, will turn their interest to other destinations, e.g. Turkey. This condition might get worse since there is a likelihood of future, similar or harsher changes which still are difficult to be estimated (predicted) by managers, let alone to be assessed. Therefore, tourism SMEs decided to better assess their collaborations (e.g. travel agencies) and thusly to obtain cheaper but still same quality resources from their

partners. This action resulted to the deletion of ties with certain partners whose services were expensive according to the new standards and/or did not contribute enough to the tourism SMEs' desired output.

Then, a few years later, the imposition of capital controls increased further the level of managers' perceptual state uncertainty. This monetary policy also caused confusion and major difficulties in the transactions of most Greek companies including the tourism SMEs. Again, tourism SMEs proceeded to the re-assessment of certain collaborations which consequently led to the deletion of ties with particular partners who either could not fulfil their liabilities towards them and/or changed their transactions tactics, e.g. stoppage of credit provision. The main goal of tourism SMEs was to mitigate uncertainty by retaining collaborations which could ensure the on-time payments and the avoidance of uncomfortable situations.

In both occasions, the shrinking of networks, either it was an initiative of the tourism SMEs or their partners, can be considered as a starting point for the expansion of SMEs network (formation of ties with new partners) since the SMEs, after the deletion of ties with existing partners, lost access to certain key resources which were vital to be regained, for instance, the access to big European markets (such as Germany) or the supply of daily restaurant products for hotels.

#### **Network churning – tie creation:**

Taken together, tourism SMEs, due to high state uncertainty, expanded their inter – organizational networks by forming new ties in the existing domestic – international markets and/or to new international markets. In the occasions of political and macro – economic uncertainty, the creation of new ties appears to be a consequential action of SMEs. This means that, firstly, the respective high uncertainties discouraged the foreign tourist enterprises (tour operators and tourist agencies) to continue cooperating with Greek SMEs and then the latter established new ties with new international partners, either in completely new markets and/or existing markets. In both cases, SMEs applied similar strategies to establish new collaborations, namely the “FAM” trips, direct contacts with



potential partners and participation to tourist exhibitions. Also, in the occasions of governmental, competition and to some extent macro – economic uncertainty, tourism SMEs, firstly, withdrew voluntarily from collaborations which considered as less valuable in the new unpredictable and heterogeneous environment and following, they created ties with new partners, again, in new and/or existing markets.

By forming new ties, Greek tourism SMEs attempted to mitigate state uncertainty through the access to key, as well as to new, resources and cover the gaps in their clientele created by the deleted ties. Eventually, Greek SMEs could be less dependent on the big foreign enterprises which are considered to be their “traditional” partners. For instance, several tourism SMEs exploited the services of their new international partners in Turkey and gained new customers from this market. Also, several SMEs (mainly hotels) expanded the range of their network and started cooperation with companies that provide management services according to the needs of the new environment. Indeed, the increasing level of state uncertainty in the identified sub – environments, generated a need to SMEs to establish new ties with new domestic – international partners, however, in several occasions, this hostile environment and the scarcity of resources might have constrained those actions. It can be said that this new environment, characterised by low munificence and limited resources, affected the size of the newly established networks of several SMEs. In that respect, a number of SMEs decided to replace the deleted existing ties with new and either maintain the same size or increase it on their networks while other SMEs decided to replace some – not all of the deleted existing ties and finally decreased the size of their new networks.

Beyond that, network expansion could be an attempt to sustain or regain legitimacy, especially towards the international companies which continued to view Greek market as hazardous and unpredictable. The establishment of new collaborations with partners from existing and/or new markets could have signalled to other constituents of the business community that the condition in the country was not unstable as presented in the media and most of the issues (changes) were manageable. Also, it could be argued that network expansion demonstrated the competence of Greek SMEs to deal with problems and consequently built confidence to new partners and restore it to the pre – existing ones. That

could be verified from the fact that after the increasing political uncertainty in Turkey provoked by the attempted coup d'état, several old collaborations were re – activated and also new collaborations with European partners were established.

### **4.3.2. Inter – organizational relationships development**

The findings show how state and response uncertainty caused the developments of the relationships between the tourism SMEs and their partners. These developments involve the actions of strengthening the relationships with partners and the exertion of power – pressure to partners and vice versa. The state uncertainty is associated to four environmental domains (political, governmental, macro – economic and socio – cultural) while response uncertainty to the governmental domain. These findings will be now discussed:

#### **4.3.2.1. Strengthening of relationships**

The ever-increasing level of state uncertainty (section 4.2.1) prompted the Greek SMEs to strengthen the relationships with their partners from both, vertical and horizontal networks. In most occasions, this relationship development accrued from the frequent communication with the domestic – international partners and facilitated the establishment of stronger linkages.

#### **Horizontal domestic networks**

The analysis shows that tourism SMEs feel unable to deal on their own with major changes/problems and the uncertainty (sections 4.1. & 4.2) that has recently increased. As a response to state uncertainty, SMEs developed the inter – organisational relationships of their horizontal networks, namely, the rejuvenation of existing “idle” horizontal relationships developed to relationships of reciprocity and mutual support. Existing relationships have been characterised as “idle” because, up to the moment of the uncertainty increase, they used to be conduits of general information and have not been fully exploited by SMEs. This means, that SMEs created among them stronger and more intense ties, characterised mainly by mutual support and reciprocity, that is, a sense of obligation to return the favours and help to the other members of the network.

*“...we developed good relationships and definitely we came closer. I will not say that we have perfect relationships – I refer to the tourism professionals – but compared to the past are definitely better...Yes, there were changes in our relationships, for sure...” (Company no.18, pp.6&8)*

More specifically, the Greek SMEs, driven by high political state uncertainty (section 4.2.1.1) started acting collectively with their peers, increased the sense of reciprocity among them and eventually adopted a mutual strategy. In that respect, SMEs came closer to their colleagues (e.g. other hoteliers) and altogether began supporting more actively the actions of their Associations, for example of SETE which is the Greek tourism confederation located in Athens. In particular, SMEs supported SETE’s relatively recent initiative for the creation of an organisation, responsible for the promotion/advertising of Greece abroad as tourist destination; indeed, many enterprises contribute financially to this endeavour. SETE counts many SMEs members and its main goal is to enhance the sustainability of Greek tourism sector. Thus, this confederation tries to improve abroad – mainly to European markets – the image of Greece which has been “damaged” by political uncertainty. SETE advertises tourist destinations of the country and also has undertaken the organisation (administration) of several FAM trips in order to improve the networking process of tourist SMEs:

*“...SETE intervened and created the company of “Market in Greece” and its site is “discoverGreece.com”. This is a company which promotes Greece and its products, to reverse the bad image which Europeans had for Greece...it [also] helped with the FAM trips...This is a method of networking...I know that members of SETE contributed financially to this endeavour which definitely helped to promote our country and attract more European tourists.” (Company – organization no.31, p.9)*

*“During the era of prosperity, each one was looking after his/her own business...now, the island is constantly being “hit”, so you are obliged to come closer with the others [professionals] and try to find solutions. Things differ to the past. We came closer, we meet quite often and discuss all the problems we encounter.” (Company no.11, p.11)*

These collective efforts to tackle political uncertainty have been more intense by SMEs of Athens and Chios. This might be happening because external political changes/incidents,

such as immigration (section 4.1.1.2), have affected more severely these regions. For example, entrepreneurs from Chios mentioned that nowadays, the boards of directors of their Associations (Chios Hoteliers Association & Chios Association of Rooms to Let & Apartments) arrange regular meetings where they discuss about the problems that have increased political uncertainty. Greek SMEs have understood the need for a mutual strategy and therefore by acting together and through their Associations, they communicate their concerns to local entities (Municipality of Chios, Region of North Aegean) and the Ministry of Tourism.

*“...we have regular meetings [Associations] in order to exchange opinions and then the board of directors decides what actions will be implemented. We didn’t use to do that very often in the past since we didn’t have these kinds of problems...Currently, we try to improve the situation and we are on discussions with the government. It is us, the hoteliers who organize these discussions with the Ministry of Tourism. (Company no.11, pp.7&8)*

*“Look, in this occasion we did some collective efforts. We had a meeting, the entities of the island with the Minister of Tourism, Ms Kountoura...” (Company no.18, p. 14)*

The strengthening of relationships was also triggered by governmental, macro – economic and socio – cultural state uncertainty. For example, the high macro – economic state uncertainty urged the Greek SMEs again to come closer with each other and, under the umbrella (support) of their Associations, to organise common actions in order to gain access to new international markets, to establish new collaborations and eventually increase the number of incoming tourists. These common actions involve the participation to tourism exhibitions taking place in major international markets (e.g. in big Turkish cities such as Istanbul or Smyrna) and the organisation of FAM trips and presentations of the tourist destinations to which they invite international tour agents, operators and journalists.

*“...participation in exhibitions...also, focused presentations have been organized for tour agents and operators in Smyrna and other major cities like Istanbul. These*

*presentations do happen in cooperation with the consulate...” (Company – organization no.33, p.12)*

*“...we went to Turkey many times, we did [a] presentation of the island in specific groups. For example, we have very good relationships with the Chamber of Smyrna...” (Company no.18, p.10)*

*“Also, we have participated in collective efforts of the Association to go to exhibitions. There we presented the island, not our own enterprise, it was a collective participation. We went to Turkish exhibitions and we presented traditional activities that happen in Chios, for example, we presented the “rocket-war” if you have heard of it...” (Company no.22, pp.9&12)*

Moreover, because of the socio – cultural state uncertainty, SMEs designed a mutual strategy and likewise to the aforementioned occasions, decided to act collectively, either in small peer groups or through their Associations and together, they contacted with their mutual international partners from vertical networks in an effort to reinforce their relationships and to verify to them that they remain operational despite the social unrest. That way of action implies the need for SMEs manager to also tackle effect uncertainty, since they don't understand the full impact of this factor on their enterprises and try to secure their relationships. The following quotes can support this finding:

*“...we sat and spoke on the telephone with some people [hoteliers]...I contacted with other hotels cooperating with “Kuoni”, we created a network of people and gave a common response, mutual line. We told them [tour operators] that the “Athens gate” operates normally, we didn't stop, that there is front office, manager, everything is working...” (Company no.1, pp.18&19)*

*“Again, all hoteliers united and tried to reverse this bad image, not only hoteliers but all enterprises of tourism sector...what we did was to cooperate with the Association, we cooperated all together and travelled to exhibitions abroad, contacted with foreign (tour) operators and invited them to Athens, to see on their own that the city*

*was a safe destination and riots were occurring only to a small specific part...”*  
(Company no.29, p. 17)

Interestingly, a reinforcement of relationships was also noted at the level of Associations, such as the Hellenic Chamber of Hotels and SETE, which now cooperate with each other closely. In fact, these organisations, due to governmental uncertainty, adopted a mutual strategy, which implement till now, in order to put pressure towards the multinational partners of SMEs (tour operators, e.g. TUI) and the Greek government (this particular action will be further discussed in the next section). In that way, they want to achieve a possible reduction on the fees and taxes respectively. The quotes below can support this:

*“...all the hoteliers that collaborate with TUI, we follow a common policy. So all, we decide to lay this (particular) condition in the contracts, then TUI, under this pressure, will have no other option but to accept...we have come closer to our colleagues and other hotels and we try to have a common line (strategy), to put pressure on the government and the suppliers through the bodies - the Hoteliers Association and the Chamber of Hotels.”* (Company no.25, p. 6&7)

*“...it is the Association and the Federation which play an important role, I mean that our bargaining power is way bigger if we go collectively as Hellenic Hotels Federation or as Hellenic Chamber of Hotels or as SETE, because we represent a big part of Greek hoteliers...These organisations cooperate with each other and design a mutual strategy in order to face all these problems...”* (Company no.29, p10)

It is important to note that response uncertainty, associated with the governmental domain, contributed also to the reinforcement of relationships between SMEs and their partners in both horizontal and vertical networks. Several interviewees mentioned that they began contacting their peers more regularly; increasingly drawing on their international partners to discuss possible solutions, strategies and to exchange ideas which could help to tackle the unpredictable fiscal and monetary changes. During the procedure of this frequent communication, their relationships have been strengthened and improved and a mutual understanding about the uncertain conditions (difficulties) has been built among them.

*“...we developed a closer relationship – cooperation with the “Athens - Attica and Argosaronic Hotels Association”...we opened a bit more our door – we wanted to do it and I think the other hotels too – in order to exchange information concerning taxation and some travel agencies. A closer circle of contacts was created between hoteliers and associations in order to exchange information in a better way.” (Company no.1, p13&14)*

*“In all occasions, either it was an increase in taxation or a new tax, we contacted with our partners in order to see how we could face these changes. Necessarily, we came closer...when you have a good collaboration with a partner, with all the ups and downs that might have emerged through time, you expect to hear from him that you will at least discuss about the new tax and see what you can do...” (Company no.29, pp.9&11)*

### **Vertical domestic – international networks**

The analysis also reveals that the uncertain – difficult conditions of the new turbulent environment prompted the Greek SMEs to reinforce the relationships with certain domestic – international partners from the vertical networks. For instance, with respect to the governmental state uncertainty, SMEs started communicating regularly and exchanging information with their partners about the matters of taxation and capital controls. These frequent communications and discussions about the emerged problems led to the strengthening and improvement of the relationships with individual partners. This relationship development can be supported by the following quotes:

*“...yes, we came closer. Well, apparently, our cooperation has been enhanced since we provided something which was outside of the boundaries of our ordinary service; we provided detailed information to our partners...” (Company no.13, p.13)*

*“I think that this incident [capital controls] as well as the others, brought us closer to several partners. I mean, this was another difficulty added to all the others. We are talking for a period full of panic. So, again phone calls, discussions with our foreign partners, almost daily.” (Company no.20, p.7)*

Also, according to the findings, SMEs proceeded to a similar reinforcement of relationships with existing partners because of the macro – economic state uncertainty which was caused by the deep economic crisis. In fact, on some occasions there were already informal ties connecting the SMEs and their partners – especially in small societies as Chios Island – but those were further developed and became even stronger throughout the crisis period.

*“There are friendly relationships between us since always, we are on an island, we know each other. But now in this difficult time, partnerships become stronger, you see that some of your partners are going to help you...they will make things easier for you. Of course, there are exceptions...like these suppliers that I cut off.” (Company no.5, p.19)*

*“...we have tried to strengthen our collaborations in existing markets. Yes, [a] French tour operator...we have been working for several years with this office. Now, in the crisis, we have strengthened our relations. It's one of the offices in France that we've worked more with, they supported us a lot.” (Company no.25, pp. 9&14)*

It can be argued that the development of relationships also led to the development of the exchanged network content – at both levels of inter – organizational networks – which will be examined in the next sub – section. The establishment of strong linkages based on reciprocity and mutual support, most likely, enabled the exchange of support and help between the SMEs and their partners and simultaneously facilitated the exchange of valuable information.

#### **4.3.2.2. Exertion of power – pressure**

The analysis shows that the multiple changes in the governmental and macro – economic domains affected the uncertainty perceptions of SMEs, which now are concerned about the emergence of more unpredictable changes in the future, and consequently prompted them to exert power – pressure towards their domestic – international partners of vertical networks. This action did occur individually and after the aforementioned reinforcement of relationships (section 4.3.2.1), collectively through their Associations. In that way, Greek



SMEs aimed, primarily, to reduce their partners' prices/fees and consequently reduce their own costs as much as possible in order to continue offering their services in competitive prices while in other occasions their intention was to get fully paid off by their partners.

More specifically, after the changes in taxation which contributed to high governmental state uncertainty, SMEs addressed, individually, to their partners (mainly to "small" suppliers) and pressed them, through discussions/negotiations, in order to purchase their products – services in lower prices or at least to retain the same ones. The following quotes can support this:

*"I have asked them (suppliers) to drop their prices, make a discount...Of course, they also have a business and [I understand that] taxes affect them too...there was no big need for that in the past. Now, necessarily, you are asking for the best price, asking for a discount..." (Company no.26, p.21)*

*"Something similar happened with our petrol supplier, we talked with him and said that he had to drop the prices otherwise we would have searched for a more economical solution...we would go for another partner..." (Company no.10, p.5)*

Also, several SMEs reported that changed radically their attitude concerning some domestic partners of theirs, meaning that they began exerting pressure to small agencies to pay off any outstanding balances they had towards them. This relationship change occurred because, during the economic crisis (sections 4.1.3.1 & 4.2.1.3), the phenomenon of enterprises going bankrupt and then leaving unpaid liabilities towards their partners was quite often. The evidence below can support this:

*"We are pressing these smaller offices, these partners, to pay off their liabilities. Because I am telling you that too many offices have gone out of business and have left us with huge losses in the middle of the crisis. We are pressing them to pay us off..." (Company no.7, p.5)*

Also, tourism SMEs attempted collectively, through their Associations, to put pressure on their international partners and following to achieve fees reduction on their services. This action was fulfilled by the hotel Associations (e.g. SETE) and concerned the collaborations

with “big” online tour operators, such as TUI. Greek SMEs depend highly to those partners and they do not have the bargaining power to persuade them individually. Therefore, the tourism Associations undertook the role of the SMEs representative in the negotiation procedures with multinational tour operators. These official entities had also discussions with the Ministry of Tourism to postpone or cancel certain taxation measures.

*“There was an effort through the “Hellenic Chamber of Hotels” which is the main representative of hotels. They sent a formal letter to online agencies asking them to decrease the commission fees which is very high, it is 20%.” (Company no.9, p.20)*

*“...several actions have been taken by the Association [of Chios Hoteliers] in cooperation with the Chamber of Chios. They have put some pressure on the government in order to achieve some tax reliefs...all entities cooperated and sent committees in Athens in order to protest to the government.” (Company – organization no.34, p.4)*

Interestingly, on several occasions, that power – pressure was exerted vice versa, from the side of certain domestic – international partners towards the Greek tourism SMEs. In fact, this action occurred due to governmental state uncertainty and particularly during the period of capital controls (sections 4.1.2.2 & 4.2.1.2). This behaviour had to do mainly with the transactions – payments and was noted by both “big” international (e.g. tour operators) and “small” partners (e.g. suppliers of daily products).

*“(Capital controls) affected very much our collaborations, many partners tried to exploit the situation...for example, we might had a cooperation in which we had agreed with our partner for 120 days credit and after the implementation of capital controls the same partner told us that we had to pay in cash...this happened a lot by our suppliers.” (Company no.29, p15)*

*“This (capital controls) caused a lot of problems to our company because what I just described to you also happened with other suppliers. There was disturbance [in the market] and everyone [suppliers] was afraid that will not get paid and will lose*

*his/her money. This situation created changes in our collaborations, mostly with our suppliers, exactly what I told you, most suppliers requested in advance full payments otherwise they would not serve you.” (Company no.27, p.11)*

In addition, several international partners exerted pressure to Greek SMEs because of the macro – economic state uncertainty (section 4.2.1.3). The analysis shows that the economic crisis caused a big fall in the demand of domestic tourism due to the severe austerity measures imposed by Greek governments and drove tourism SMEs to increase incoming tourism to fill the gaps in their clientele. As a result, Greek tourism SMEs expanded their networks in international markets (section 4.3.1.2), intensified the frequency of their collaborations with international partners and therefore became more dependent to these partners who in their turn began pressing them to lower their prices. As one participant mentioned (Company – organization no.31, p.4): “the biggest pressure on prices did happen because tourist activity in Greece till 2008 – 2009 was 70% incoming and 30% domestic and currently [this] has changed to 90% and 10%...”.

Several hotels – SMEs reported that during the economic crisis period, a number of their international partners (mainly tour operators) took advantage of the situation and exerted a lot of pressure to them in order to reduce their prices and eventually continue cooperating. The participants reported that they had no other option but to accept these decreases in their prices since the future of the Greek economy was highly uncertain and vague and according to the existing conditions, the possibilities for its stabilization were limited. This can be supported by the following quotes:

*“...we had several problems with our partners, the tour operators we were cooperating. They [tour operators] were pressing us to lower down the prices because of the crisis and the situation prevailing in the country. Something which we finally did...” (Company no.15, p.6)*

*“...during the crisis, tour operators have stepped a foot on us. [The economic] crisis in Greece was the triggering event and they demanded that we should lower our prices a lot. We couldn't resist to that pressure and we dropped the prices...” (Company no.25, p.7)*

#### **4.3.2.3. Summary – inter organizational relationships**

In a summary, the findings show that the high state uncertainty in regard to most sub – environments and the high response uncertainty in regard to governmental sub – environment triggered two developments in the inter – partner relationships of tourism SMEs. These are the strengthening of relationships in both, the horizontal and vertical networks and the exertion of power – pressure from the side of tourism SMEs to their partners of vertical networks and vice versa:

##### **Strengthening of relationships:**

The findings show that tourism SMEs, in order to mitigate state and response uncertainty, developed the inter – organisational relationships of their horizontal and vertical networks. In regard to the horizontal networks, tourism SMEs created with their domestic peers stronger and more intense ties. These ties are characterised mainly by mutual trust and reciprocity, that is, a sense of obligation to return the favours and help to the other members of the network. Greek SMEs began acting together and following a mutual strategy to mitigate uncertainty, and also, through their Associations, they started applying pressure towards multinational tour operators.

The main goal of this relationship development was for SMEs to unite their power, their resources and act collectively in order to address the threats of the unpredictable changes. These strong relationships enabled the initiation of a collective planning and action to enter new markets and/or expand to existing ones. They also facilitated among actors the process of exchanging resources and tacit information regarding the sudden changes. A good example of relationship development at the domestic horizontal level constitute the SMEs of Chios; after the severe political changes of late years, tourism enterprises of the region became more engaged to their Associations and started acting collectively under their support and guidance. In that way, firstly, they managed to advertise the island/destination, and secondly to enter the Turkish market successfully, to initiate new collaborations with Turkish partners and attract Turkish customers.

Also, due to the new, uncertain environment, the routines between Greek SMEs and their partners at vertical networks changed radically and many problems emerged in their collaborations, particularly in their transactions. These new uncertain conditions required

more frequent interaction and communication that inevitably led to the reinforcement of inter-partner relationships. Again, in this occasion, the strengthening of ties facilitated the exchange of valuable information. Furthermore, Greek SMEs reinforced these relationships for another important reason. They highly depend on those partners who hold key resources and therefore the possibility of stopping cooperation with them, during the period of increased uncertainty and decreased munificence, would have devastating consequences on their performance.

The reinforcement of relationships, triggered by both state and response uncertainty, seems to have also enabled/facilitated the network content development, meaning the exchange of support as well as tacit information and advice which will be discussed next.

#### **Exertion of power:**

The exertion of pressure to certain partners, which noted mainly by tourism accommodations, implies that managers could understand the impact of the fiscal and monetary policies changes – which can be also supported by the identified low governmental effect uncertainty – and aimed to retain the same prices. In that way, tourism SMEs attempt to achieve a relative stability in the prices in case of upcoming governmental and macro – economic changes (for example, increases in taxation) and therefore avoid a decrease in their clientele (decrease in the destination demand). According to the analysis, tourism SMEs proceeded to this action on their own, individually and/or collectively via their respective Associations. Also, as already mentioned, tourism SMEs received pressure by their partners from their vertical networks, particularly by the international tour operators. Several international, and in occasions domestic, partners of SMEs took advantage of the high state uncertainty and exerted pressure to them in order to lower the prices. Tourism SMEs, due to the prevailing high state uncertainty and under the fear of “losing” crucial collaborations, were obliged to accept those demands and finally decreased their prices.

#### **4.3.3. Network content**

The analysis reveals how state and to some extent response uncertainty prompted changes in the exchanged content between the Greek SMEs and their partners. The network content refers to the tangible and intangible resources that have been exchanged among partners.

The content developments include the more intense exchange of support – help, information and also knowledge. These will be now discussed:

#### **4.3.3.1. Support – help**

Greek SMEs in order to mitigate high state uncertainty started seeking more intangible resources, meaning support – help, from their partners either of the horizontal or the vertical networks. The nature of the support – help differs across the horizontal and vertical network partners.

##### **Support through horizontal domestic networks**

Specifically, in terms of the horizontal level, Greek SMEs sought and received substantial support – help from their tourism Associations and other official entities which to help them survive in this new, highly uncertain environment. This was a sequential development that emerged after the reinforcement of relationships (discussed previously, section 4.3.2.1) between the SMEs and their Associations and the more active engagement in their actions. Indeed, tourism Associations facilitated a number of SMEs to receive governmental financial support in order to face the problems provoked by the sudden changes on the political domain and further to alleviate as much as possible the state uncertainty. Specifically, the tourism Associations of North Aegean Islands ensured, after intense pressures to the government, the financial support of 25m by the Ministry of Economics for the tourism SMEs of certain islands (Chios, Mitilini, Kos and Samos). The tourism SMEs of these particular islands face tremendous problems and experience high state uncertainty caused by immigration.

Also now, these organisations (e.g. SETE or the Association of Hoteliers in Chios) assist even more Greek SMEs to participate in international tourism exhibitions (e.g. by providing them a booth which is highly costly), bring them in contact with international potential partners and generally contribute to their promotion and advertisement to foreign markets through the organisation of FAM trips. In that way, Greek SMEs aim to mitigate the high political and macro – economic state uncertainty.

*“...the Association of Hoteliers, the Association of rented rooms and the Chamber always participate in these events. Actually, in the latest exhibitions, the Municipality*

*of Chios and the Chamber have contributed financially...we want to participate in exhibitions, to organize familiarization trips...we collaborate with the Hoteliers Associations, the rented rooms Associations and each time we share the effort and the costs with them.” (Company – organization no.33, pp.11&13&14)*

*“...we did contact multiple times with the “Hoteliers Association of Chios” and we see that it is doing a great work. The Association helps very much...” (Company no.11, p.8)*

Furthermore, due to macro – economic state uncertainty, the tourism Associations undertook more activities – tasks as the representative of SMEs and therefore their helping – supportive role was further expanded beyond the representation to the government. Apart from the exertion of pressure to international tour operators (discussed in section 4.3.2.2) another important task was to communicate the suggestions of tourism SMEs to big domestic companies and following to build – improve the relationships with them. Particularly, this has happened in Chios Island by the local Hoteliers and rooms to let & apartments Associations which contacted with big Greek airline companies and asked for their help to increase incoming tourism.

*“We came in touch with other companies, for example with “Aegean” [Greek airline company], we asked them for a direct flight from Germany to Chios. I would say that we did achieve something [good] with “Aegean”, this will happen this year for the first time, [tourists] can fly from Berlin or other places of Germany to Athens with a discount in the price ticket and then after one hour they can fly from Athens to Chios...” (Company no.18, p. 6)*

### **Support through vertical domestic – international networks**

Greek SMEs also addressed to their partners of the vertical networks and asked for support – help in order to cope with the emerged problems and the increased governmental and macro – economic state uncertainty. The nature of this support differs from the one that SMEs received from their Associations and in occasions was bidirectional. For example, the unpredictable changes in taxation urged SMEs to discuss with their partners and agree to retain the same prices despite the VAT increases and also to implement a particular

discount strategy which could help them to attract customers. Furthermore, a few tourism SMEs intervened and provided advice to their partners in relation to their collaborations. This can be illustrated with the following quotes:

*“Since, both sides want this cooperation to be continued, we have agreed to keep the same prices and quality...I support them – I told you that I prefer buying from the local market - and they do the same to me. During hard times, we need to show understanding and support each other in order to survive.” (Company no.18, p.12)*

*“And as I told you we mediated in order to propose a solution which would be beneficial for both sides. We tried to find the balance, firstly we tried to remain in low levels the tour operators’ prices in order for them to be able to retain their clientele and following [we tried] to strengthen the relationships between tour operators and hoteliers and prevent hoteliers from initiating new collaborations with competitors. (Company no.15, p.10)*

In addition, after the imposition of capital controls (sections 4.1.2.2 & 4.2.1.2), this exchange of support – help between the SMEs and their domestic – international partners became more intense. Certainly, the policies of the Greek government worsened the level of uncertainty in the business environment of tourism SMEs. The participants expressed the opinion that the exchange of support and help among partners is vital and necessary, otherwise it is very difficult for an enterprise to survive. For example, several hotel managers reported that their partners accepted longer delays in payments or even increased the credit limit. The provision of a higher credit limit had also been triggered during the economic crisis by the macro – economic state uncertainty. Interestingly, several Greek SMEs proceeded to similar actions of support towards their partners. These actions of support – help can be supported by the following quotes:

*“In some cases I could not pay the full amount, they were also patient. We have been partners for many years, some of them told me: “Vasia, you can pay whenever you can, we are quite comfortable now”. Well, that could not continue forever...and they, in turn, have to pay their own (liabilities)...” (Company no.26, p.10)*



*“...they (the suppliers) know that we'll get the money the next season when liquidity increases because in the winter our occupancy rates are not that high. We are trying to subsist on the money that already exists. And there is a credit, they give us an open credit...we agreed on that. They see what's going on, how difficult the situation is...” (Company no.25, pp.10&11)*

*“In particular, we helped “Kiriakidis” agency when capital controls were imposed...We delayed (to receive) payments. We waited for the situation to stabilise and gave time to another agency as well...this agency was also cooperating with “Kiriakidis”...we didn't ask for the advance payments, the year closed and there was an amount due...We supported him...it is like there is mutual support, we give in order to receive in the future...” (Company no.23, p.5)*

#### **4.3.3.2. Information – knowledge**

The analysis shows that Greek SMEs addressed to their partners in order to acquire information and knowledge in order to mitigate state and response uncertainty. The exchange of information can be characterised as bidirectional given the fact that both, the Greek SMEs and their partners provided it to each other, while the exchange of knowledge, associated mainly to response uncertainty, is characterised as unidirectional deriving only from one side, namely that of the SMEs' partners.

##### **Horizontal domestic networks**

To begin with the horizontal networks, Greek SMEs, prompted by governmental, macro – economic and socio – cultural state uncertainty, sought for information from their domestic peers and their Associations. The acquisition of this valuable information could bring the SMEs in a position to better assess the conditions of the new uncertain environment and enable them to get prepared for future developments. For example, several hotel SMEs started exchanging information with their partners within the Associations about the social unrest that occurred in several big cities in Greece some years ago (section 4.1.4.1):

*“This was the main subject of discussion among the Hellenic Chamber of Hotels and other hoteliers. We had many conversations with other hoteliers and partners regarding this issue, mainly informal conversations. I was asking them if they have*

*learned anything, what their opinion about the situation was and how other hotels act..." (Company no.9, pp.9&10)*

This development of the exchanged content was also noted in other occasions. For example, the sudden political incidents as well as the unpredictable policy changes motivated again the SMEs to contact their partners and attempt to extract substantial information. The following quotes can verify this:

*"...we exchange useful information between us (other travel agencies). We are trying to help each other in order to avoid unpredictable events. Apart from payments, we are also discussing the service of each hotel they have cooperated with and that sort of things, or when a hotel gives a discount or we arrange to cooperate together on a group trip..." (Company no.14, p.13)*

*"...the enterprises directly involved in tourism – hotels, agencies etc. – as well as enterprises indirectly involved – for example, producers of alcoholic beverages – are willing to become members to SETE and talk with us, they show more interest in our actions and they ask for further information..." (Company – organization, no.32, p.11)*

*"...we aim to inform managers from all kind of tourism enterprises. The interesting part is that more and more entrepreneurs show interest in our activities and are more willing to be informed..." (Company – organization, no.31, p.7)*

In addition, the Greek SMEs were motivated by governmental response uncertainty (section 4.2.3.1) to approach their colleagues and mainly their Associations in order to obtain knowledge based on which they could identify an effective response to the unpredictable governmental changes. Greek SMEs wanted to learn the "know – how" by their partners and generally the practices which have been implemented and could be also applied in their cases. As already mentioned, the exchange of knowledge was facilitated by the strengthening of relationships (section 4.3.2.1)

*"What we did with the Association was to create a pool of thinking and record all good practices. By good practices I mean those (practises) that we have*

*implemented, we have tested them, were successful and thus I share these with you...”...“would you like to do it”?...a closer circle of contacts was created between hoteliers and associations in order to exchange information in a better way.”*  
(Company no.1, p.14)

This exchange of knowledge and experiences began after the fiscal policy changes but was also evident after the monetary changes and the imposition of capital controls. Both these factors (section 4.1.2) caused high response uncertainty to the SMEs and consequently triggered the exchange content development.

*“We tried again through the entities to find out what could be done. On the board of directors, we were discussing possible solutions...“what have you done, how did you face this problem?” and exchange with each other opinions and ideas...Basically, we were sharing information which could be valuable and would lead to a solution. We tried to get any possible valuable information...”* (Company no.29, p16)

*“Yes, of course, [I was asking] “what are you doing for this [problem]?”. “SETE, what are we doing? How do I face this?” Also, [we asked the] Association of Athens- Attica and Argosaronic and the Hellenic hotels foundation, “what shall we do?””* (Company no.1, p.14)

### **Vertical domestic – international networks**

Greek SMEs addressed also to their partners of the vertical networks in order to exchange information and obtain knowledge. Specifically, high state uncertainty triggered the creation of new channels of exchanging information between Greek SMEs and their partners. These channels enabled SMEs to achieve a twofold goal; on the one hand, through them, the SMEs aimed to inform their international partners about the new conditions that emerged after the sudden changes in the political, macro – economic and socio – cultural domains; on the other hand, the SMEs extracted from their partners necessary information in regard to certain external political incidents – particularly of the coup d etat – and most importantly, they managed to obtain knowledge and suggestions which helped to tackle the response uncertainty. For instance, the following quotes illustrate the aim of SMEs to pass

information to their international partners with respect to the social unrest and the imposition of capital controls respectively:

*“We've been in touch with most to inform them. Basically they were also communicating with us. They were worried about the situation, in the beginning with the demonstrations and then came the capital controls. We invited them to come and witness things by themselves.” (Company no.25, p. 17)*

*“...we provided detailed information to our partners (the agencies) and told them that “ok, we have capital controls but there are 1,2,3 things that we have to do, don't worry, your customers will not have a problem”. (Company no.13, p.13)*

Greek SMEs, from their side, asked their partners for information in regard to the recent attempted coup d'état that increased political uncertainty. Just like their international partners, Greek entrepreneurs wanted to get insights about the situation and then to act accordingly.

*“Initially we spoke with all our partners in Turkey in order to understand what was happening...” (Company no.27, p.17)*

In addition, the analysis reveals that the SMEs, apart from their Associations, contacted their international partners in order to receive suggestions – solutions, specifically on how to encounter the restrictions during the capital controls and also to increase their clientele during the economic crisis and the coup d'état in Turkey. This implies that SMEs experience response uncertainty not only in the government domain but also in regard to the political and macro – economic domains. The following quotes concern respectively the governmental and macro – economic response uncertainty:

*“Your partners can always inform you about what is going on in the market, what practices have been followed by other companies. I mean, our English travel agent partner told us “Look, I receive bank transfers from this Greek company, they have opened an account in this bank, and maybe you should do this as well”. Some partners can share ideas with you, generally, some methods which can help you to face a problem...” (Company no.13, p.15)*

*“We never used to discuss our difficulties. When the crisis came, we said “you need to help us because we face difficulties”. Due to our long-standing relationship, we asked some people for help, to tell us what we can do...we were discussing on a friendly level. This was during the crisis, we have never done this before...” (Company no.25, p. 10)*

#### **4.3.3.3. Summary – network content**

The analysis reveals that Greek SMEs recognize their own limitations to mitigate the emerged state and response uncertainties and therefore address to their partners and seek for help – support and to obtain substantial information – knowledge.

##### **Support – help:**

Greek SMEs, having reinforced their relationships, began exchanging more intangible resources with their partners in order to mitigate the state uncertainty. The unpredictable changes in the identified sub – environments brought SMEs in a difficult and very uncertain position. Therefore, some of them addressed their long – term partners from the vertical networks and to their Associations and asked for support. The findings show that at first stage, there was an exchange of psychological support between SMEs and their domestic – international partners from vertical networks, which was achieved through discussions about the new environment and its difficulties. Then, support turned to be more practical with Greek SMEs receiving and providing to their partners facilitations in the transactions between them, e.g. facilitation in payments. In that way, both sides (SMEs and partners) aimed to alleviate uncertainty by promoting the continuation of their cooperation and secure its resilience and duration. An example of these supportive actions can be considered to be the informal agreements – facilitations in regard to payments between several hotel SMEs and their partners from the European and also the local markets.

In regard to the horizontal networks, tourism SMEs, due to state uncertainty, started seeking for help – support from their Associations, either in the form of financial support, meaning governmental allowances, or in the form of participation (with a common booth) in tourism exhibitions abroad. This support seems to have a threefold goal, firstly to enhance financially the SMEs which have lost a big part of their clientele after the increase of state

uncertainty and struggle to survive; secondly to help SMEs to reinforce their relationships with their current partners; finally to enable them to expand their activities in new and existing markets. As discussed above (section 4.3.1.2), Greek SMEs, in the pursuit of new collaborations and resources, expanded their networks but on several occasions, to do so, asked further help and support from their Associations.

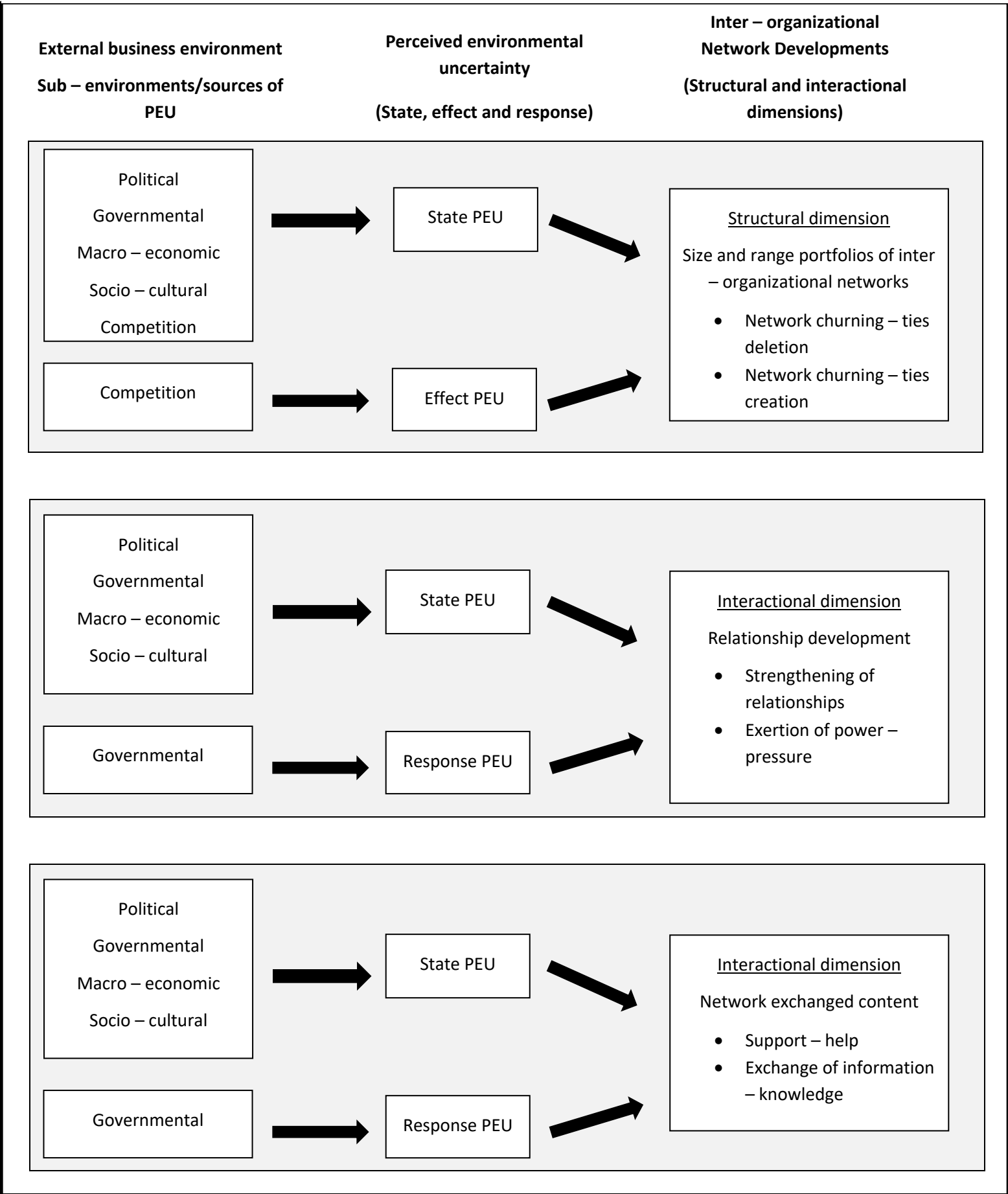
### **Exchanged information and knowledge:**

Also, SMEs seek information and knowledge from their horizontal partners in order to first increase their awareness on the changes and following to identify potential responses to address these changes. It seems that SMEs addressed mainly to Associations in order to exploit the existed but not so far fully developed, information channel which till that moment was providing just general information. In that way, they had the opportunity to exchange opinions with trusted, experienced actors/peers who share similar ideals and values and eventually to acquire more in depth and detailed information. The exchanged knowledge among partners could be characterised as tacit information since it was based on the Association members' experiences, ideas and perceptions about the sudden incidents that increased uncertainty. This behaviour of SMEs, of acquiring tacit information, implies the existence of both effect and response uncertainties at least at a medium level, however, these types of uncertainty were not often met in participants' answers – the governmental response uncertainty constitutes an exemption to this notion.

The interaction with similar actors can lead to the exchange of valuable, in depth information. However, it is likely that these actors, due to the similarity that characterizes them, do not possess novel and diversified information. Therefore, SMEs also addressed to their vertical networks and aimed to gather new ideas, insights from their partners. In that way, tourism SMEs attempted to mitigate state and (governmental) response uncertainty. The increase of state and to some extent response uncertainty led to the creation of a new channel of tacit information (including advice, assessment of the unpredictable events) between Greek SMEs and their international partners. This new channel replaced the old one through which partners used to exchange solely general information.

The analysis shows that the flow of more detailed information started by both sides (SMEs and their partners) after the emergence of the unpredictable changes and was an attempt of both sides to alleviate state and response uncertainty. On one hand, Greek SMEs, under the guidance of their Associations and also individually, started providing information to their long-term foreign partners in order to help them assess the prevailing conditions. The findings show that tourism SMEs expected to continue cooperating with these partners. On the other hand, Greek SMEs sought information and knowledge (proposals – suggestions) from their partners in order to decipher the consequences of certain changes and then to conclude to a solution to these changes. For example, Greek SMEs asked help/advice from their Turkish partners to deal with the matter of the attempted coup d'état. Again, this behaviour could be an action triggered by effect and response uncertainty which as mentioned earlier were not often met in the transcripts. The long-term duration of these collaborations and the resource dependence condition seem to have played an important role on this exchange of information – knowledge by respectively enabling it and simultaneously rendering it necessary. Certainly, the reinforcement of relationships facilitated further this exchange. SMEs feel more comfortable to discuss and share ideas and information with trusted, long term partners and at the same time they are aware that this interaction is (slightly) an obligation since their partners control critical resources which could help them mitigate uncertainty and compete in this new environment.

**Table 11: Diagrammatical representation of the findings**





## **Chapter Five: Discussion**

### **5. Introduction**

This chapter discusses the main findings that have accrued from the analysis presented in the previous chapter. The findings provide significant insights on the three research questions which have been proposed to examine the impact of perceived environmental uncertainty (PEU) on network dynamics in the context of Greek tourism SMEs' inter – organizational networks.

The findings of this research will be discussed in two phases; the first phase addressing to the first two research questions, refers to findings that concern the existed environmental uncertainty in the Greek tourism industry and more specifically refers to the SME managers' uncertainty perceptions. These perceptions are based in both, the emerged changes that occurred in several domains (e.g. political) of the external environment and the future developments regarding those domains. Following, the second phase of the discussion, addressing to the RQ3, will focus on the influence of these managerial uncertainty perceptions to the development of SMEs' domestic and international networks, specifically, the developments in relation to their structure, the strength of their relationships and the exchanged content.

#### **5.1. RQ1: Does perceived environmental uncertainty trigger the inter-organizational network development of SMEs?**

This research question sought to understand the type/s of PEU triggering the SMEs' network development. Through the single case of the Greek Tourism sector, the analysis shows that the managers and owners of Greek tourism SMEs experience three differential types of environmental uncertainty, namely state, effect and response uncertainty (analysis section 4.2).

The presence of state, effect and response uncertainty is not surprising considering the significant volatility the Greek tourism sector experienced in the last several years. Tourism is one of the biggest sectors of Greece and is regarded as one of the central pillars of the Greek economy and specifically, in 2018, its total contribution to the GDP rose from 19.7% (in 2017) to 20.6%. Despite its recent growth, the SMEs, functioning in the sector, have

encountered significant challenges in order to survive. In the last 10 or so years, aside the abrupt, deep economic crisis, a series of sudden – unexpected incidents/changes in several domains occurred in Greece, increased the level of uncertainty and adversely affected the operation of most firms and consequently of the SMEs in the tourism industry. For example, as presented previously in the analysis chapter (section 4.1), a number of incidents emerged unexpectedly in the external political domain (e.g. immigration issue) and increased the sense of uncertainty among the managers – owners of tourism SMEs.

Specifically, in the present study (as seen in several cases, for example company no.10 and 16), the participants feel highly uncertain about the fluctuations on the state of their external environment and acknowledged their difficulty to predict what is going to happen (state uncertainty – analysis section 4.2.1). Secondly, (as seen in the cases of company no.9 and 11) they appeared relatively uncertain (to a lower degree) about the impact of the identified environmental changes on their enterprises (effect uncertainty – analysis section 4.2.2). Finally, (as seen in the cases of company no.1 and 19), they mentioned their difficulty to effectively respond to those changes (response uncertainty – analysis section 4.2.3).

The findings reveal that state PEU is the predominant among the three types of uncertainty and inevitably, the most influential triggering factor of network development.

### **5.1.1. Causes of perceived environmental uncertainty**

These difficulties, which prevent the SMEs' managers – owners to make sense, interpret and respond effectively to their external environment, arise mainly from the environmental variability and the lack of necessary (respective) information. According to the literature, the dynamism and complexity of the environment are considered to be significant factors contributing substantially to the uncertainty. Milliken (1987) suggests that within the environments with these particular characteristics, the occurrence of changes, whose outcomes are not predictable, is frequent and are likely to increase the uncertainty perceived by the decision makers. Therefore, as it was expected by the literature, the current research found that the high volatility and complexity of tourism industry plays an important role on the level of PEU, experienced by the managers – owners of SMEs. Indeed, most of the incidents – changes occurred violently and some were completely new to the

SMEs (e.g. immigration issue, the deep economic crisis, imposition of capital controls) and contributed to high state and to some extent to response PEU.

In addition, a number of scholars (Coviello, 2006; Pinho et al., 2015; Leppäaho et al., 2018; Sepulveda and Gabrielsson, 2013) have pointed out that the SMEs, by their nature, have to encounter certain liabilities (e.g. smallness and foreignness) and are characterised by shortages on essential resources (e.g. personnel, finance). Consistent with this literature, this study revealed how resource shortcomings contribute significantly to lack of information and inevitably, along with the aforementioned environmental volatility, increase the level of state and response PEU. For example, given the fact that the majority of the participating SMEs belong to the category of micro – small enterprises and employ less than 50 people, it can be said that, due to lack of personnel, they cannot allocate the right efforts to search, identify and acquire the right information.

*“I mean, when the job begins to open up and there is only one person responsible for all the obligations of an accommodation - they have to make the reservations, welcome the customers, talk with the cleaning crew, with the agencies - then this person cannot devote time to other obligations and activities, he will do only what is necessary...” (Company – organization no.33, p.16)*

*“Ok...here, as you can see, we work 4 people. There is a difference between an enterprise with 300 employees and an enterprise like us...this affects our strategy.” (Company no.24, p.16)*

Furthermore, the limited financial capabilities of several SMEs could also be considered as a deterring factor to the quest of information:

*“...well we have realized that companies have financial difficulties. Well, not exactly difficulties but...you know...for example in the exhibitions where they will have the opportunity to be advertised and expand their network, most companies cannot afford a kiosk.” (Company no. 34, p.10)*

In addition, the analysis shows that in several occasions, mainly in relation to governmental, political and macro – economic domains, there has been false and/or inadequate briefing from the side of the government and the relevant institutional organisations. For example,

this has happened in both the cases of taxation increase and capital controls (governmental domain) where the SMEs hadn't been fully informed about the implementation of new taxes and monetary measures by the respective official departments. This indicates the existence of institutional void which according to Rodrigues (2013, p.14) is defined "as gaps between formal rules and norms, and their enforcement in daily practice". These gaps – voids imply the lack of institutional (governmental) support, meaning the provision of financial and informational resources, which inhibits business activities and can also generate uncertainty. The institutional voids are prevalent in the developing countries which are characterised by "soft institutions", suffer from excessive bureaucracy, and the enactment of laws and regulations is inefficient (Mair and Marti, 2009; Narooz and Child, 2017; Peng, 2003; Peng and Zhou, 2005; Stephan et al., 2015). Taking into consideration that Greece constitutes a developed country, this is an unexpected finding which however contributes to the increase of state uncertainty.

### **5.1.2. Perceived Environmental Uncertainty**

The identified types of uncertainty relate closely with Milliken's (1987) three environmental constructs and reflect the effort of the SMEs' decision makers to firstly understand, interpret and finally respond to the unpredictable changes taking place in the external business environment. Those uncertainty types resonate with the relatively recent findings of Ashill and Jobber (2010) and the multi – dimensional conceptualisation adopted by several scholars which assert that perceived environmental uncertainty consists of three different components, namely state, effect and response (Ashill and Jobber, 2014; Koka et al., 2006; McKelvie et al., 2011; McMullen and Shepherd, 2006; Regan, 2012). In particular, Ashill and Jobber's (2010) findings accrued from exploratory in depth interviews with senior executive managers from large manufacturing firms and further highlighted the importance of Milliken's (1987) environmental classification. However, the current study concentrates on the uncertainty perceptions of decision makers (owners – managers) of SMEs operating in the Greek tourism industry.

Furthermore, the findings of this study support Milliken's (1990) suggestions that the three differential types (state, effect and response) of perceived uncertainty appear to be associated with the three stages of the interpretation process in organizations. This process, as set by Daft and Weick (1984), comprises three steps, meaning the scanning (data

collection), the interpretation (data given meaning) and the learning (action taken). The three types of PEU might occur respectively during the three phases of this interpretation process. Specifically, the state PEU may be experienced in the scanning process during which the managers aim to identify the major trends, changes and incidents in their organization's external environment that eventually could affect its functionality. For example, in this research it was identified that, during the scanning of the socio – cultural domain, the participating SMEs were unable to predict the social riots – demonstrations that took place in Athens (analysis section 4.2.1.4). Similarly, they could not predict – understand the changes in monetary policies, such as the imposition of capital controls (analysis section 4.2.1.2). Following, the effect PEU may appear during the interpretation task which involves the assessment of those changes, incidents in terms of their meaning and significance. For instance, the present research found that the participating SMEs experience low effect uncertainty in the case of the fiscal changes since they could understand that the increase of the VAT rates would have a negative impact on their functionality (analysis section 4.2.2.1). And finally, the response PEU might exist in the third phase of the process, named as “learning”, during which the managers aim to identify how to respond to the changes. In this research, this occurred when the participating SMEs faced difficulties in identifying an effective response to the changes that emerged in the governmental domain (analysis section 4.2.3.1). Based on the above, these findings are also consistent with the three questions, proposed by Gerloff et al. (1991) and more recently by McMullen and Sepherd, (2006), which need to be addressed by the decision – makers. These three particular questions (“what is going to happen”, “how is this event or trend going to impact on our organization?” and “what am I going to do about it?”) indicate the nature of information and also the managerial skills which are required in order to address each type of uncertainty.

## **5.2. RQ2: Which domain of the SMEs external environment constitutes a source for PEU and what role might play in the network development?**

This research question sought to understand the possible sources of PEU, namely to investigate the domains of the external business environment in which the participating SMEs are likely to experience the PEU. There are multiple sources of PEU, so PEU is likely to

arise from any domain of the external environment (e.g. political, legal, competitors) and as several scholars have pointed out, when examining the concept of PEU, it is necessary and vital to take into consideration all possible environmental domains (Ashill and Jobber, 2010; 2014; McKelvie et al., 2011; Miller 1992; 1993; Regan, 2012; Samsami et al., 2015). In fact, the analysis shows that the PEU, experienced by the decision makers, are associated to distinct components of the external business environment. Overall, the participants identified five sub – environments to be highly uncertain and volatile; these are the political, governmental, macro – economic and socio – cultural and finally the competition (analysis section 4.1). Each sub – environment contains several factors (e.g. governmental – taxation; political – coup d'état) which have affected the PEU's level. The sub – environments and their factors correspond to some extent to Miller's (1992, 1993) and to Ashill and Jobber's (2010) environmental classification. They also support the general notion – argument that environmental uncertainty should be examined in relation to the micro and macro factors (for example, taxation, social unrest – demonstrations, increase of rivalry between competitors etc.) of the external environment (Ashill and Jobber, 2014; Babakus et al., 2006; Lewis and Harvey, 2001; McKelvie et al., 2011; Samsami et al., 2015; Sanchez-Peinado and Pla-Barber, J., 2006).

### **5.2.1. Intensity level and scope of the experienced PEU**

Although prior research draws attention to the pluralistic nature of the external environment, it tends to neglect how PEU may vary across different external environments. Yet in this research, the analysis shows that there is a variation in the intensity level of the three expressed uncertainties. In fact, based on the critical realist stratified reality, the world exists independently of human thoughts, however, at the empirical level the world is interpreted through the filter of human experience and beliefs. In that respect, the participating SMEs managers view the world (in this occasion, specifically the business environment) according to their beliefs, experiences and availability of information and thus resulting to a variation in terms of intensity and also scope of the experienced PEU. In this research, it has been clearly identified that the state uncertainty is the dominant type of PEU experienced by the participants and constitutes the most important triggering factor for the development of the SMEs' inter – organizational networks. Not surprisingly, due to the facts of high environmental variability and the resources shortages which have been

discussed previously, the majority of participants experience high level of state uncertainty in regard to all five sub – environment (analysis section 4.2.1). However, state PEU seems to be more intense in the political, governmental, and macro – economic sub – environments. This is not unusual if we take into consideration that major political (e.g. Brexit, terrorist attacks in big European cities), macro – economic (recession of 2008) and governmental changes (fiscal changes due to the corona – virus pandemic) take place worldwide and induce a high level of uncertainty. Specifically, the later admitted, weak economy of Greece was severely hit by the global recession of 2008. Onwards of 2008, the country entered to a period of recession and strict austerity which firstly resulted to high macro – economic and then, as a domino, to political and governmental volatility. Furthermore, the geographic proximity to politically and economically unstable countries (e.g. Turkey) increased further the political uncertainty. Most of these facts have been particularly difficult to be predicted by the SMEs’ managers and inevitably generated a high level of state PEU.

The experienced, in all domains, high state PEU has profound implications on the SMEs. Although clearly requiring further research, this study tentatively suggests that this inability of managers to interact effectively with the external environment may prevent them from making the necessary adjustments in the organization’s strategy and structure and eventually engaging in entrepreneurial actions. In that respect, the managers’ strategic decision – making, which involves the commitment of specific actions and the allocation of resources, will be inadequate and instead of the development of a lasting superior performance, will result to performance declines and inevitably will adversely affect the viability of firms (Milliken 1990; McMullen and Shepherd, 2006; Regan, 2012).

However, despite the sense of high state PEU in all domains, this intense perception does not apply to the same degree and scope in the case of effect and response PEU (analysis sections 4.2.2&4.2.3). These findings explain the marginal influence of effect PEU to network development and then the lower, compared to state uncertainty, influence of response PEU in two aspects of networks. Specifically, the participants’ answers regarding the effect uncertainty, concentrate in three sub – environments (governmental, socio – cultural and competition domains) and their intensity level varies from low to medium and (relatively) high. The unexpected low – medium level of effect uncertainty implies that the managers of the participating SMEs spend less time (and consequently resources) in

interpreting the impact of the environmental changes. As shown in the analysis (section 4.2.2), the participants are aware that the major changes (e.g. increase of VAT rates) would adversely affect the inflow of incoming tourism as well as their cash liquidity. Thusly, it appears that relatively quickly and due to past experience of similar changes in this domain, they interpreted these particular changes as threats to their enterprise. The variation in the experienced effect PEU, aside the past experience, can be probably explained by two other factors; firstly, by the extent of the resource dependence of each SME and secondly by their organizational characteristics. As Milliken (1990) suggests, the greater an organization's dependency is on a particular pool of resources the more likely it will be for its managers to interpret a decline on this resource as a threat. In fact, the analysis reveals that a significant part of the SMEs' resources to which most of them have been highly depending (i.e. collaborations with certain international partners), has been negatively affected by the unexpected environmental changes and eventually some of them declined. Here it is important to note that the size of the SMEs, namely micro, small, and medium, and also their geographical location, namely being located peripherally and not in a big city, might affect and increase further their dependency to the particular pool of resources belonging to their network partners. Also, the organizational characteristics, as perceived by the managers, may also play a significant role in the interpretation of the environment. For example, the managers who perceive their organizations to have a strong identity and effectiveness are likely to be more certain for the effects of the environmental changes and experience lower effect uncertainty (Ashill and Jobber, 2010; Milliken, 1990). Noteworthy, this research, in contrast to Milliken (1990), found that the SMEs perceive the respective environmental changes as threats. This finding indicates that the managers may feel less confident about the effectiveness of their enterprises and that their effect certainty accrues mainly from the experiences that have gained from previous similar events.

With regards to response uncertainty, it is clear from the findings that, in terms of the intensity level, there were mixed answers concentrating exclusively in the changes on the governmental domain. In that respect, not all SMEs experienced response uncertainty to the same extent. While most of the SMEs were highly uncertain about how to address the significant changes in the environment, a few exceptions displayed a firm grasp as to how they would cope with the changing governmental domain. As discussed previously, critical



realism assumes that at the empirical level, the world is interpreted through the human filter and therefore different interpretations may exist about the objective reality, based on individuals' experiences, beliefs, thoughts. The identified high response PEU triggered the development of networks in terms of their relationship strength and the exchanged content (these will be discussed further in the next sections). This type of PEU, experienced by several SMEs in relation to governmental domain, is likely to prevent further the managers' willingness to engage in entrepreneurial action (e.g. launch a new service) and exploit opportunities that might have emerged (McMullen and Sepherd, 2006; McKelvie et al., 2011). What appears to be explaining this differentiating level of response uncertainty is the possible absence, within some SMEs, of specific planning procedures (e.g. competitive analysis and planning) about how to respond to environmental changes. As it has been already mentioned above, most of the participating SMEs lack of qualified personnel who could undertake these planning procedures. Also, the individuals' different attributes, such as the cognitive processes and biases, age, educational background, appear to further contribute to the variation of response uncertainty but also to the variations of effect uncertainty (Ashill and Jobber, 2010; 2014; Milliken, 1990; Samsami et al., 2015).

While clearly requiring further research, the above findings regarding the variation in the (perception) intensity and scope (different environmental domains) of the three types of uncertainty reflect the argument that perceived environmental uncertainty is subjective and unique to each decision unit (in our case, to managers – owners) since it is derived from the interplay of an actor with the environment, is directly influenced by the individual's attributes and also the contextual factors (Ashill and Jobber, 2014; Milliken, 1987; 1990; McMullen and Sepherd, 2006; Lueg and Borisov, 2014).

### **5.3 RQ3: What are the potential changes on the patterns of the network caused by perceived environmental uncertainty?**

The findings which will be discussed in this section addressed the research question of why and how PEU influenced the SMEs' network development. The analysis clearly shows that PEU, particularly state and to a lesser extent response PEU, has triggered the development of the SMEs' inter – organizational networks in terms of their structure, their relationships and the exchanged content (analysis section 4.3). This resonates with a number of studies

which present networking activities as an important strategy to cope with the uncertainty that exists in dynamic and complex environments (Babakus et al., 2006; Dickson and Weaver, 1997; Marino et al., 2008; Musteen et al., 2014; Sawyerr et al., 2003; Srivastava et al., 2018). However, the analysis of this thesis extends this literature and provides a systematic and in depth insight in how the three differential types of PEU (state, effect and response), stemming from different environmental domains (e.g. political, macro – economic) can trigger the development of several aspects of the inter – organizational networks in the context of Greek – tourism SMEs. These developments, which occurred at both, the domestic and international networks, will be discussed in turn:

### **5.3.1. Structural developments of the inter – organizational networks**

The findings unequivocally show that the participating SMEs, prompted mostly by high state uncertainty in regard to the five identified domains of the external environment, proceeded to structural developments in their inter – organizational networks (analysis section 4.3.1). These structural developments, meaning the size and range changes, occurred through either the tie creation or deletion in both the domestic and the international networks of tourism SMEs. Also, it is noteworthy to mention that effect uncertainty with respect to the competition domain has also triggered, to some extent, the structural developments of networks. This finding has substantial implications to the research stream regarding the network development since it reveals that the exogenous factors play a significant role on the development of structural patterns in the SMEs networks. This finding resonates with Kaartemo et al.'s (2019) empirical finding that a force external to the firm's business network can influence its dynamics at a higher level. More specifically, this finding aligns to a large extent with the second proposition of Koka et al.'s (2006) framework, the so called "network churning", according to which an increase in the uncertainty level and a decrease in the munificence of the external environment will trigger the increase of both tie creation and deletion and eventually will result simultaneously to a small change in the size but to a substantial change in the range of the inter – organizational network. These developments, starting with tie deletion, will be discussed next:

### **5.3.1.1. Churning of networks – tie deletion**

It is clear from the findings that, due to high state uncertainty, several relationships between the participating SMEs and their partners have been terminated. These tie deletions which among others, involved the significant collaborations with big international tour operators, caused a major decline in the availability of resources for the SMEs making further difficult their position within the uncertain environment. The inter-organizational relationships are regarded as the channels through which the actors gain access to a range of resources held by other actors (Coviello, 2006; Hoang and Antoncic, 2003; Hoang and Yi, 2015; Leppäaho et al., 2018; Narooz and Child, 2017). For example, for several SMEs, the inflow of incoming tourists from big European markets (such as Germany) was reduced to a great extent or stopped entirely. Based on the findings, this particular structural development within the inter-organizational networks was bi-directional in nature. This means that the tie deletion was fulfilled by both the Greek SMEs and their partners (analysis – section 4.3.1.1).

On the one hand, specific sources of uncertainty (e.g. governmental) prompted the tourism SMEs to carefully assess their collaborations with a certain number of domestic and international partners (e.g. tourism agencies); after this assessment, the SMEs proceeded to the termination of several collaborations. In that way, the participating SMEs attempted to adjust their strategy to the changing conditions of the environment and act accordingly to mitigate uncertainty. Specifically, as seen in the cases of company no. 10&19, they identified which partners of theirs have been very costly – expensive and decided to terminate the ties with them. These tie deletions have significant implications to the strategic decision-making (and functionality) of the SMEs since they enable them to reduce to an extent their fixed (e.g. supply of electricity) and/or variable (commission fees from travel agencies) costs and eventually their overall expenses. Importantly, by lowering these costs, the participating SMEs could set more antagonistic prices and obtain a competitive advantage over their opponents. Moreover, this particular assessment led to the identification of partners who, during the period of macro-economic and governmental uncertainty and particularly after the imposition of capital controls, have been struggling to operate effectively and therefore considered to be less reliable in terms of paying their liabilities and also providing the necessary resources. Unsurprisingly, the participating SMEs

also terminated these collaborations in order to avoid unpleasant situations (e.g. unpaid liabilities towards them) which could adversely affect their cash liquidity and their overall performance.

At the same time, under the conditions of high state uncertainty, it was noted a strategy change by the side of several domestic and international partners, mainly in terms of the transactions. This strategy – change, as seen in the cases of company no. 16&29, induced the termination of further collaborations since it provoked significant difficulties in the economic transactions and functionality of SMEs; nowadays, some of their partners, being afraid of the constantly changing environment, stopped providing credit limits and at occasions, demanded a full in advance payment in cash.

Interestingly, on the other hand, other sources of uncertainty (e.g. political and socio – cultural) affected a number of the SMEs' partners (mainly the international partners) who decided to apply a temporary freeze and in some occasions fulfilled a permanent deletion of ties with the Greek SMEs (as seen in the cases of company no.11&27). Undoubtedly, these ties – deletions were out of the power of the participating SMEs which had no other choice but to “accept” them. This finding resonates with Kaartemo et al.'s (2019) recent results showing that the network can be developed regardless the deliberate actions of the focal firm. However, the current study extends their research by revealing that PEU plays an important role to the "unintentional" development of the network since it affects the partners' decisions related to the network. Similarly, on several occasions, the tourism SMEs were again “obliged” to terminate the collaboration with certain partners who, during the period of the financial turmoil and the general high macro – economic uncertainty, went bankrupt and stopped operating. This finding supports Hernandez et al. (2019) suggestion that studies examining inter – firm network development should not only refer to tie deletions and additions but should also consider the actions of nodes (firms), for instance, the cease of a firm's existence due to bankruptcy or its “collapse” through acquisition.

The findings show that, under the conditions of high state uncertainty, there has been created (emerged) a climate of mistrust in the collaborations within the networks. This mistrust concerns a variety of economic activities, such as the consistency in payments, the delay in the delivery of necessary supplies (e.g. daily products for the restaurants of hotels)

and even the late cancelation of the agreed contracts. Based on that, it can be argued that, as the level of state PEU increases and decision – makers feel unsecure (of either the participating SMEs and/or their partners) about the future developments and conditions in the new environment, the trust in the relationships between the participating SMEs and their domestic – international partners starts to decline and generally firms (tourism SMEs and network partners) start having a more opportunistic – calculative behaviour; as a result, several ties between the Greek SMEs and the existing partners have been deleted. Firstly, this finding supports Wegner et al.'s (2015) theoretical proposition that consolidated – mature networks can be dissolved by the rising opportunistic behaviour of the members and the lack of trust among them. Secondly, it resonates with Wegner et al.'s (2018) empirical findings that changes in the internal and external environment can influence the stability of small firm's networks, increase the opportunistic behaviour of their members and consequently lead to their decline and dissolution. However, the present study builds on their research and reveals that high state PEU with respect to the identified sub – environments (such as governmental, socio – cultural) is a crucial factor triggering the rise of this opportunistic behaviour and also that Greek tourism SMEs proceeded to the formation of new ties with new partners (this finding will be discussed more thoroughly next) in order to cover the network “gaps” and mitigate this type of uncertainty. Overall, the aforementioned findings empirically validate Koka et al.'s (2006) theoretical argument that, during the network churning, the deletion of ties could occur because it is likely that the firms' needs for resources can change in the new uncertain environment and also the existing routines between the partners might be characterised as obsolete in the emerged conditions. However, this research significantly extends Koka et al.'s (2006) paper, by revealing that the ties deletion, prompted by state PEU, can be bi – directional, out of the control of the focal firms and occasionally is likely to derive from the firms' partners. Moreover, it reveals that the ties deletion is a single part of a wider range of network developments; these will be discussed next.

### **5.3.1.2. Churning of networks – tie creation**

Because of high state uncertainty, the participating SMEs expanded their inter – organizational networks by forming new ties in the existing domestic – international markets and/or to new international markets (analysis – section 4.3.1.2). This expansion can

be distinguished in two stages which appear to have occurred simultaneously. The first stage refers to the creation of new ties after the termination of long – term, contractual collaborations. The participating SMEs formed new ties since certain partners of theirs, such as “TUI”, the well – known international tour – operator, decided to stop cooperating with them. Additionally, they formed new ties after their own decision to terminate the collaboration with several domestic and international partners who, as discussed previously, have been assessed as less valuable in the new unpredictable and dynamic environment. As already discussed, after these tie deletions, which occurred either by choice or not, the participating SMEs lost the access to vital resources. Urged by the increasing state uncertainty, the SMEs immediately initiated procedures to replace the old partners and rapidly searched for new partners in order to establish new ties with them. In that way, they attempted to regain the access to key resources, for example to cover the gaps in their clientele created by the deleted ties. This finding shows the degree of dependence of these participating SMEs to their network partners for the acquisition of resources, essential for their viability. Further, it shows that these SMEs are characterised by a relative flexibility which allows them to terminate long – term collaborations and simultaneously establish new ones.

The second stage refers to the efforts of SMEs to add more partners within their networks from the existing, domestic – international markets but also from new international markets. The constantly changing environment created new uncertain conditions which in their turn unearthed the need for additional and/or differentiated key resources. In that respect, several SMEs (as seen in the cases of company no.25&27) increased their collaborations in the existing big European markets (e.g. France) and also entered to new international markets (e.g. the markets of Balkan region and Turkey) which so far the SMEs had neglected. Feeling less confident in the new environment and not being able to predict its changes (high state uncertainty), the SMEs expanded their networks since, primarily, they wanted to secure as much as possible the inflow (access to) of vital resources, that is to acquire the necessary supplies (e.g. hotel – restaurant supplies) and also to create a new stream of revenues with customers from either the existing or new international markets.

The participating SMEs aimed to effectively adjust to the needs of the new uncertain environment, improve their services and eventually enhance their competitive advantage

over their domestic – international competitors. In this regard, these SMEs sought for better, in terms of price and quality, resources while others (as seen happening in the cases of company no.16&29) established new collaborations with firms from different sectors that didn't have in the past and thusly obtained new resources. These findings are in line with the works of Sepulveda and Gabrielsson's (2013) and Coviello and Cox's (2006) which concentrate to the examination of BG firms and INVs respectively; these firms have similar characteristics with the participating SMEs in this study since these kind of enterprises have global focus from conception and commit resources to international activities. For example, Sepulveda and Gabrielsson's (2013) research shows that network development enabled BG firms to build competitive advantages. Coviello and Cox (2006) found that a key function of the INV networks is the transfer of new resources into the new firm through the acquisition or mobilization of resources. However, the present research builds on their studies by showing that these new resources are also necessary for the mitigation of state PEU.

In addition to the above, the entry to new international, diversified markets and consequently the creation of geographically diverse networks (very likely) enabled several SMEs to acquire substantial information – knowledge regarding the sudden changes that occurred in their external environment. For example, the findings reveal that, simultaneously with the effort of securing vital resources (e.g. customers), the participating SMEs have been advised by their international partners on how to address the governmental, monetary changes and thus to surpass the impediments on the transactions during the period of capital controls. In other occasions, they have been informed by their partners regarding the trends in their markets which had been affected by the state uncertainty in relation to several domains (e.g. political, socio – cultural). This finding is consistent with the general argument that high environmental uncertainty urges firms to expand their networks and access relevant information (Koka et al., 2006; Musteen et al., 2014). It also resonates with the work of Musteen et al. (2010) who found that geographically diverse networks enable the access to valuable information and increase the information processing time. These new partners from the new geographically markets (e.g. Balkan countries) are likely to possess differential knowledge and specifically, diverse perceptions in regard to PEU. Thus, the SMEs learned about new practices and eventually

could mimic and adapt their partners' suggestions – strategies (e.g. provision of sales) in order to mitigate state PEU.

The participating SMEs, by forming new ties with new partners, increased the portfolio size and range of their inter-organizational networks. Interestingly, the findings reveal that in some occasions the number of the new collaborations of the SMEs did not exceed by far the number of their previous collaborations and indeed, some SMEs (as seen in the cases of company no.1&19) kept the same number in their collaborations or even reduced it slightly. These findings further support the Koka et al.'s (2006) proposition of “network churning” according to which, the tie creation and the portfolio range will increase but the size of the network will note a small change. The present study builds upon this theoretical proposition by showing that the structural development of the inter – organizational networks can accrue from different types of PEU which in their turn emanate from different sources (e.g. political, governmental). Interestingly, these findings resonate to an extent with Coviello's (2006) results which show that INV networks' range increases during their life – cycle process. However, in contrast to Coviello's (2006) research, the present study examines this structural expansion from the evolutionary approach (Van de Ven and Poole, 1995; Jack et al., 2008; Kaartemo et al., 2019) and not from the life – cycle (Larson and Starr, 1993; Hite and Hesterly, 2001) and therefore takes into consideration the direct impact of PEU. The analysis also supports Kim et al.'s (2006) argument about the competitive environment and the increasing likelihood of firms to change their network ties, since Greek SMEs (as seen in the cases of company no.16&20) were found to be experiencing high state and effect PEU in the competition domain and thusly established new collaborations with new partners.

### **5.3.1.3. Strategies applied for the new ties creation**

The establishment of new collaborations in the existing and/or new international markets was achieved with the application of three strategies, meaning the “FAM” (familiarization) trips, the direct contacts with potential partners and the participation to international tourist exhibitions (e.g. in Turkey or Germany and other European markets). The analysis reveals how Greek SMEs exploit existing loosely coupled network ties to apply these particular strategies. Specifically, (as seen in the cases of company no.18&27), it was found that the industry Associations play a vital role in providing guidance, support, capital and eventually bringing together potential partners from the domestic and international



markets. Given the resource shortages (and the high state PEU) that the SMEs have been facing, the Associations (e.g. SETE) have undertaken the organization of several activities which individually for the SMEs are highly costly and time – demanding but eventually will give them the opportunity to meet and engage with potential partners. For example, the Associations in Chios Island have conducted the organisation of FAM trips in which they invited international potential partners (e.g. Netherlands) to visit their island with the prospect to start collaborating with the local SMEs. Also, they organised the participation in tourism exhibitions taking place in the neighbouring market of Turkey and helped the local SMEs to enter this market and establish new collaborations. At this point, it could be said that the geographical location of a number of SMEs might have played an important role and facilitated them to penetrate certain new international markets such as Turkey and Balkan countries. For example, due to the geographical proximity to Turkey, it was easier and less costly for the SMEs located in Chios Island to visit this market, interact with potential partners and establish new collaborations. The findings mentioned above contradict to some extent with the conclusions of Kontinen and Ojala (2011) who found that family SMEs attend international exhibitions in order to form new ties, however, their existing formal or informal ties do not contribute substantially in their international opportunity recognition. On the other hand, they support the assumption of the network perspective that firms' network contacts act as bridging ties to foreign markets (Johanson and Mattsson, 1988). And also, they are in line with the findings of other studies (Andersson et al., 2013; Chandra et al., 2009; 2012; Coviello and Munro, 1995; Zain and Ng, 2006; Ibeh and Kasem, 2011) which show that network contacts (personal and business contacts) help SMEs to identify international opportunities.

### **5.3.2. Relationship developments within the inter – organizational networks**

The analysis shows that PEU motivated the participating SMEs to develop, in two ways, the relationships with their partners in both, the domestic and international networks (analysis section 4.3.2). These developments include the strengthening of relationships (certain weak ties were developed to strong ties) which was noted in both, the horizontal and vertical level of networks and also the exertion of power – pressure which was noted at the level of vertical networks from the side of tourism SMEs towards their domestic and international partners and vice versa. Likewise, in the case of the structural developments, the findings

show that state PEU is the most influential type of uncertainty which triggered both relationship developments. Specifically, state PEU in relation to four sub – environments, meaning political, governmental, macro – economic and socio – cultural triggered the strengthening of ties while governmental and macro – economic state PEU triggered a more opportunistic behaviour by the side of Greek SMEs which resulted to the exertion of pressure towards their partners. Interestingly, in terms of the pressure, a similar behaviour was also observed by the side of the partners of the participating SMEs. In addition, response PEU with respect to the governmental sub – environment, has also contributed to the strengthening of ties between the SMEs and their partners.

### **5.3.2.1. Strengthening of relationships to mitigate (state and response) PEU**

A very interesting finding of this study reveals the use of existing network relationships to alleviate state and response uncertainty. The findings showed how the SMEs reinforced the ties with their partners from the horizontal and vertical networks. In that respect, they began devoting more time and energy to several existing partnerships. That is, they began communicating more frequently (as seen in the cases of company no.9&19) with their partners about the sudden changes that emerged and caused uncertainty while at other occasions (as seen in the cases of company no.1&9) they also increased their commitment to specific collaborations. These findings contrast Sawyerr et al.'s (2003) empirical results which, although examined the PEU as a unidimensional construct, found that higher levels of PEU had no direct influence on the external inter – personal networking activities (including frequency of contacts) of SMEs. These reinforcing actions identified in this study, illustrating the will of SMEs to rejuvenate some old strong ties and also to convert several important weak ties to strong, can be considered to be in line with the variables – actions associated with the strength of ties in the relevant definition as set by Granovetter's (1973) and also more recently by Söderqvist and Chetty's (2013). The findings show that the application of these actions enabled the SMEs to eventually strengthen, deepen and exploit further their existing ties; for example, the SMEs enhanced the intimacy and trust in their relationships and consequently managed to achieve the in – depth exchange of valuable information – knowledge. This tendency of the SMEs, to develop their relationships in that way, reveals that, under the conditions of high state PEU, they consider more valuable the strong instead of the weak ties despite the requirement of maintenance costs and time.

More specifically, the findings show that at the domestic horizontal level, the participating SMEs re – activated existing, “idle” relationships by becoming more engaged in the activities of their industry Associations. In this regard, the SMEs began participating more regularly in the meeting sessions of their Associations, communicating with their domestic peers and subsequently (as seen in the cases of company no.11&18) designed and adopted a mutual strategy in order to address collectively the emerged difficulties. For instance, as discussed in the previous section of the structural developments, the SMEs exploited their old strong ties with tourism Associations (e.g. Chios Hoteliers Association) in order to gain access to new international markets (e.g. Turkey) and/or to exert pressure to big international tour operators regarding their fees. At the same time, the SMEs managed to obtain detailed information from their peers in relation to the external changes – threats (e.g. taxation increase) and the evaluation of potential responses to those changes. These findings resonate with Jack’s (2005) result showing that strong ties of entrepreneurial firms can remain latent and dormant until re – activated. In addition, these findings align again with Jack’s (2005) work demonstrating that SMEs exploit their strong ties to invoke weak ties and also support Söderqvist and Chetty’s (2013) results which reveal that strong ties of INVs act as brokers for the establishments of new relationships with new partners, especially in international markets. However, the present study extends the work of the aforementioned authors by showing that the re – activation of the latent strong ties and then (the) pursue for the establishment of new weak ties can be triggered by PEU (particularly state PEU) which in turn may have different sources (e.g. socio – cultural, governmental).

In addition, the findings show that the participating SMEs, due to state and response uncertainties, reinforced the ties with certain domestic and international partners from the vertical network. Similarly to horizontal links, the SMEs began interacting more frequently with their vertical partners and managed to enhance the intimacy within their relationships. As a result, several of the existing, long – term, weak ties developed to strong ties. Very interestingly, as seen in the cases of company no.18&27, some of these ties had been established rather recently, however, their importance, in terms of the provision of important resources, was high. This development happened because the SMEs, under the pressure of the new uncertain conditions, deemed essential to establish closer relationships with particular (existing, long – term and recent) partners in order to ensure, at least to an

extent, the continuation of their collaboration. In that way, they aimed to secure the acquisition of key resources; for example, through the establishment of strong ties, the SMEs aimed to facilitate the exchange of detailed information – knowledge in relation to the environmental changes – threats (e.g. capital controls); noteworthy, this information can also be characterised as novel and diverse since those ties, up to that moment, have been weak. This finding suggests that the participating SMEs are willing to maintain several of their present domestic – international partners but with greater commitment (e.g. time required to maintain these ties). This partially supports Kontinen and Ojala's (2011) observations that family SMEs, once identify the goodness of a new weak tie, dedicate more resources to its rapid development into strong tie. However, the current study suggests that SMEs, apart from the new ties, may also develop their existing long – term, weak ties due to the high environmental uncertainty, especially due to high and response PEU. Also, this finding supports Figueira – de – Lemos et al.'s (2011) hypothesis (specifically, H2a, p.151) which although is based on the Uppsala's risk model and thus differentiates from the network perspective, it entails the concepts of (contingent) uncertainty and "intangible commitment" (the degree of commitment in relation to a partner) that could be associated to PEU and network/relationship development respectively. Among other, this particular hypothesis asserts that firms, being at the second phase of their internationalization process, during negative environmental changes in the host country resulting to increases of (contingent) uncertainty, are expected to increase their "intangible commitment", namely to maintain and develop certain important relationships in order to acquire knowledge and thus promptly react to those changes and reduce uncertainty. However, this study further suggests that firms might also increase their commitment to certain collaborations in order to mitigate the environmental uncertainty emerged in the domestic market by unpredictable changes. At the same time, this finding contrasts with Larson and Starr's (1993) and Hite and Hesterly's (2001) notions that ties in the networks of new ventures (which have similar characteristics to the participating SMEs, i.e. suffer from the liability of smallness) tend to evolve from strong to weak, according to the firm's changing resource needs and challenges. Similarly, it contrasts with Coviello's (2006) results according to which the economic ties (weak ties) dominate the young INV's network interactions during all the three stages of their life – cycle evolution. In fact, the current study suggests that the participating SMEs, when face high state and response PEU, seek stability and trust in their

inter – partner relationships and therefore for the acquisition of key resources, tend to rely more on the identity – based ties instead of the calculative. This thesis extends the current literature of network development by depicting that the relationship development (in this occasion from weak to strong ties) aside the firms’ internal requirements of resources, may be also triggered by exogenous factors (e.g. unpredictable changes in the environment), which are outside the control of the firms. In fact, these exogenous factors can further trigger the actors’ agency behaviour (an endogenous factor) and then combined may lead to the reinforcement of relationships.

### **5.3.2.2. Exertion of power – pressure as a result of PEU**

Interestingly, the analysis also reveals an oxymoron in the activities of the SMEs regarding the development of their relationships. Meaning, the findings further show that a few of the participating SMEs, simultaneously with the development of existing ties from weak to strong, applied a more opportunistic stance towards other long – term partnerships of theirs. The type of state PEU in relation to governmental and macro – economic domains has been the main triggering factor for this relationship development. This opportunistic behaviour refers to the exertion of power – pressure by the side of these SMEs – mainly tourism accommodations – towards several domestic and international suppliers.

Through this action, which occurred individually and/or collectively through the industry Associations, the SMEs aimed primarily to achieve a reduction – or at least retain stability – on the prices of the supplied resources and in other occasions to get fully paid off by their partners. For instance, being uncertain and concerned about upcoming environmental changes – threats (e.g. future taxation increases), the SMEs proceeded to negotiations with their partners during which they pressed them to decrease their fees or maintain the same ones. In that way, they could reduce to some extent their own costs and consequently could offer their services in competitive prices. This deemed to be quite important since, under the conditions of high state uncertainty, the demand for the destination (particularly the incoming tourism) could be easily adversely affected. Surprisingly, the findings show that this pressure was also exerted to big international partners, tour operators such as “TUI”. This action was a collective effort during which the Associations played a very important role and represented officially the SMEs which, individually, could not accomplish this goal due to lack of substantial bargaining power. Noteworthy, a similar behaviour (exerting

pressure) was noted by the side of the SMEs' partners, particularly from the big tour operators. In their turn, these international partners exploited the uncertain conditions (e.g. economic crisis) and attempted to reduce the prices on the offered services of the participating SMEs. A result of those bi-directional opportunistic behaviours was the termination of several collaborations which, as it has already been discussed in the section of structural development, then led to the exploration of new partners in the existing and/or new markets.

These findings demonstrate that SMEs, under the conditions of high state uncertainty, are also calculative in their activities regarding the evolvement of their relationships and therefore take into great consideration the expected economic benefits from their collaborations and occasionally, neglect any personal or social identification which characterise the identity – based connections. Furthermore, the findings illustrate that in the case of the big international partners, the above mentioned conversion from weak to strong ties was not feasible, rather a series of negotiations regarding the prices started and a lot of pressure has been exerted by both sides (the SMEs through their Associations and on the and the tour operators). Overall, it can be said that the participating SMEs developed a mix of tie – strength within their domestic and international inter – organizational networks. In this mixture, the strong ties appear to dominate and are viewed as (equally to weak ties) high beneficial in mitigating environmental uncertainty. This finding is consistent with the results of Sepulveda and Gabrielsson (2013) who found that BG companies, during their development, worked to achieve a mix of relationships in which strong ties would eventually predominate. However, the present research further suggests that PEU, especially the types of state and response uncertainty, constitutes a triggering factor for SMEs to create this particular mix of strong and weak relationships.

### **5.3.3. Exchanged content development within the inter – organizational networks:**

The findings clearly illustrate that the PEU motivated the participating SMEs to seek from their partners further intangible resources. These intangible resources refer to the provision (occasionally bidirectional) of support – help and the exchange of information – knowledge between the SMEs and their partners from the horizontal and vertical networks (analysis

section 4.3.3). Not surprisingly, likewise to the aforementioned structural and relationship network developments, the high state uncertainty (associated to four environmental domains) is considered to be the most influential type of PEU which resulted to the development of the network exchanged content. Noteworthy, again, the response uncertainty in relation to governmental environment contributed to a degree to a more active pursuit of information – knowledge by the side of the participating SMEs. This finding is consistent with the argument expressed by several scholars (Coviello, 2006; Hoang and Antoncic, 2003; Musteen et al., 2014; Leppäaho et al. 2018; Söderqvist and Chetty, 2013; Stoian et al., 2017) that inter – organizational relationships function as conduits of tangible and intangible resources. However, the present study builds up on that notion suggesting that high PEU, particularly high state PEU, can trigger a more dynamic effort of SMEs to seek intangible resources. In this effort, we have to also take into consideration the reinforcement of ties (discussed in the previous section) which was fulfilled by several SMEs and very likely facilitate the procedure of exchanging intangible resources.

#### **5.3.3.1. Exchange of support – help to manage (state) PEU**

According to the findings, the high state uncertainty urged the participating SMEs to seek for support – help from their partners of both, the horizontal and vertical networks. Several SMEs deemed necessary to address their partners and ask for support – help in order to respond to the unpredictable, constantly changing conditions of their environment. This finding suggests that these SMEs lack entirely or partly the required resources and capabilities to respond to the environmental changes and therefore asked for the contribution of their partners. The nature of the received support – help varies according to the type of partnerships and the strength of relationships. The analysis reveals that the partners of the horizontal networks provide to the SMEs, support – help of larger scope compared to the partners of the vertical networks whose support concerned mainly the facilitation of financial transactions. This might be explained by the fact that the participating SMEs may likely experience the same level of uncertainty with their peers from the horizontal network and hold similar opinions, concerns about the future state of their environment. Therefore, it can be said that the tourism SMEs, triggered by state uncertainty, developed, through their Associations, a collective thinking and action which

includes the emotional and more importantly the practical support – help at various levels (e.g. expansion to international markets).

More specifically, the industry Associations, after the increase of state uncertainty, assisted more actively the participating SMEs to expand their activities in the existing and new international markets. This happened through the organisation of the so-called FAM trips and participation in tourism exhibitions. In that way, the Associations supported several SMEs to identify new opportunities in the international markets and establish new collaborations. This happened because most of the participating SMEs, due to the liabilities of smallness and foreignness and also the high state uncertainty, could not (or are not willing to) act individually and therefore addressed to their Associations in order to achieve these goals. For the same reasons, the new uncertain conditions prompted the SMEs to request from their Associations to undertake, as their official representative, the negotiations with their big international partners (e.g. tour operators) in terms of the fees and also to communicate their suggestions – plans to big domestic enterprises (e.g. “Aegean” airlines). Also, the Associations of particular regions (e.g. Chios) assisted the local SMEs to receive governmental financial support in order to face the problems (e.g. immigration) that have emerged in late years and survive in this new, high uncertain environment.

The findings further show that several of the participating SMEs addressed also to their long – term partners from the vertical networks in order to obtain support – help and thus to mitigate state uncertainty. At first stage, there was an exchange of emotional support about the uncertain environment and the problems that have emerged in late years. This type of support was communicated through the frequent interactions between the SMEs and their partners, which as discussed in the previous section resulted to the reinforcement of particular relationships. By sharing their concerns about the new uncertain conditions, the participating SMEs attempted to find some sympathy in their partners and to understand their intentions in terms of their collaborations. In fact, the sharing of emotional support is likely that enhanced the commitment of both, the participating SMEs and their partners on those relationships and then, at a second stage, enabled the exchange of more essential support, meaning the facilitation of financial transactions between them. Specifically, the SMEs, motivated by governmental state uncertainty, required and finally managed to get



from their partners higher credit limits and also some facilitation in the payments of resources (e.g. longer delays in the payments of supplies). This support has positive implications on the viability of the enterprises since, it allowed, to a degree, the SMEs to face their internal financial constraints and mitigate state uncertainty by better adapting to the new environment and the resource needs and challenges that arose within it. Also, the provision of support, which at occasions was bi – directional, further enhanced the foundations of particular collaborations, promoted their continuation and secured their resilience and duration; in that way, the SMEs re – ensured the acquisition of key resources.

### **5.3.3.2. Exchange of information – knowledge to manage (state and response) PEU**

Another vital element about the development of the networks' exchanged content is the more intense communication of information – knowledge that was noted in late years between the participating SMEs and their partners. Most of the responding SMEs, motivated by the high state PEU, established new channels of information and/or re – activated old ones which up to that moment seem to be providing general information. As it has been already discussed, these SMEs, due to internal shortages of significant resources (e.g. lack of personnel), face difficulties in scanning the environment and obtaining essential information. Thus, in order to fill this gap and learn about the environment, they address to their partners which are viewed as a useful source of information. This happened more intensely after the emergence of multiple, unexpected environmental changes which inevitably increased state uncertainty. The SMEs addressed to their partners of both horizontal and vertical networks in order to discuss the changes and obtain as much information as they could which would enable them to better understand the new conditions and perhaps to predict future respective developments. Accordingly, they could (re)design their strategy and adapt more effectively to the new environment. Interestingly, the participating SMEs not only seek for more information but on several occasions started providing to their international partners a briefing about the changing conditions. In that way, they aimed to ease their partners' concerns and mitigate further their state uncertainty in relation to several domains (e.g. macro – economic) which could adversely affect their collaboration.

Furthermore, several of the participating SMEs started seeking suggestions – proposals from their partners in order to identify an effective response to the environmental changes, several of which have been already interpreted as threats. This finding implies the existence of high response uncertainty which however was not met very often in the data. The participating SMEs, having no respective experience about these environmental changes, tapped to their partners' knowledge – experience and aimed to identify possible solutions. This action has implications on the strategy of the SMEs since they can reach faster to an effective, already tested response, without the need to spend many of the limited resources. These findings contradict with Sawyerr et al.'s (2003) empirical results which show that with higher levels of PEU, firms seek to gather information and make better sense of their situation by engaging in the internal networking rather than in external networking (contacts outside their firm). However, these findings are in line with Jack et al. (2008) who found that entrepreneurial firms gather information – knowledge from their network partners in order to understand the changes in their environment. The current study further shows that the PEU, mainly state and response uncertainty, that derives from the environmental changes triggers the SMEs to seek actively valuable information and knowledge from their partners. Moreover, the current study differentiates from that of Jack et al. (2008) by focusing exclusively on the inter-organizational relationships and not to the entrepreneur's total network. The exchange of information and knowledge has likely become easier and more detailed after the strengthening of relationships (several weak ties converted to strong). This resonates with Musteen et al. (2014) research which found that the strong international ties of Czech SMEs facilitated the accumulation of foreign market knowledge. The current study though, found that both domestic and international strong ties promote the exchange of detailed, valuable information – knowledge which concerns the domestic and the foreign markets.

## **Chapter Six: Conclusion**

### **6. Introduction**

The aim of this thesis was to investigate whether perceived environmental uncertainty (PEU) may trigger the development of the inter – organizational networks of SMEs operating in the Greek tourism sector and, secondly, assess the potential changes on the structural and interactional dimensions of these networks caused by this factor. In order to achieve these goals, the following three questions were addressed:

1. Does perceived environmental uncertainty (PEU) trigger the inter-organizational network development of SMEs?
2. Which domain of the SMEs external environment constitutes a source for PEU and what role might play in the network development?
3. What are the potential change/s on the patterns (dimensions) of the network caused by perceived environmental uncertainty?

This concluding chapter will address each research question, based on the key findings. Following, it will outline the contributions in theoretical, empirical and practical level as well as the limitations and /fields of potential future research.

#### **6.1. Research question one: Does perceived environmental uncertainty (PEU) trigger the inter-organizational network development of SMEs?**

The findings suggest that senior – middle managers of the participating Greek tourism SMEs have experienced the three differential types of PEU, namely state, effect and response uncertainty. More specifically, it has been identified that the participants experienced high difficulty to predict the changes in the external environment of their business (state uncertainty); also, to a lesser degree to fully understand the impact of those changes in their organization (effect uncertainty); and finally a difficulty to effectively respond to those changes of the external environment or to predict the outcome of the response/s (response uncertainty). In turn, these managerial perceptions about environmental uncertainty triggered the development of the inter – organizational networks of the respective SMEs. However, it is noteworthy that in this case study of Greek tourism industry, the state uncertainty is considered to be the predominant among the three uncertainty types and

thus is regarded as the most influential triggering factor of the network development of the participating SMEs, followed by response and effect uncertainties. Indeed, the majority of participants emphasized on their inability to address the question “what’s happening out there?” in regards to their external environment, that is directly related to state uncertainty and acknowledged that mainly, due to this uncertainty perception, developed or plan to develop their networks either in terms of their structure or the strength of relationships and the exchanged content. Both effect and response uncertainties received less attention by the decision makers but still – particularly response uncertainty – had an effect on network development.

## **6.2. Research question two: Which domain of the SMEs external environment constitutes a source for PEU and what role might play in the network development?**

There are multiple possible sources of PEU and therefore the participants could have experienced any of the three types of PEU in relation to any domain of the external business environment (for example in the governmental, competition, socio – cultural domains). In this case study, five environmental domains were identified to be the sources of PEU since these were characterised as highly uncertain and volatile; these are the political, governmental, macro – economic and socio – cultural and finally the competition. In turn, within each of these sub – environments, certain factors (such as taxation and social riots in the governmental and socio – cultural domains respectively) were identified in which a number of changes has occurred in late years and has caused a significant increase in the level of PEU.

In this research, it has been clearly identified that state PEU constitutes the dominant type of the experienced PEU and was associated to the five aforementioned sub – environments. Consequently, state PEU played a very important role in the development of the SMEs’ networks by triggering substantially the development of both their structural and interactional dimensions. However, the experience of state PEU was more intense in three particular sub – environments, namely the political, governmental and macro – economic. Importantly, one of these environmental domains, the governmental constitutes also the main source of the experienced high response uncertainty which further enhanced the

influence of state PEU on the development of the interactional dimension of networks and specifically contributed to the development of the strength of relationships connecting the SMEs with the partners and the exchanged content among them. Finally, the identification of effect uncertainty in relation to three environmental domains is noteworthy (these are the governmental, socio – cultural and competition domains) which however, due to its low and medium intensity perception (indicating the existence of effect certainty), affected only marginally the network development of the SMEs.

### **6.3. Research question three: What are the potential changes on the patterns (dimensions) of the network caused by perceived environmental uncertainty?**

The case study showed that PEU, particularly state and to a lesser extent response and effect PEU, triggered the development of the participating SMEs' inter – organizational networks in terms of their structure, the strength of their relationships and the exchanged content. These particular developments occurred at both, the domestic and international networks of the Greek tourism SMEs.

#### **Structural developments of the inter – organizational networks**

More specifically, the case study showed that the state PEU, accruing from all five domains of the external environment, played primary role on the structural churning, namely the changes in the size and range portfolios, of the SMEs' networks. Just to note that effect PEU in relation to the competition domain also contributed to these developments as a triggering factor. The structural – churning changes were fulfilled either through the ties deletion with the existing partners or the ties creation with new partners. Interestingly, the developments of ties deletion were bi – directional, meaning that these in some occasions were fulfilled by the Greek SMEs while in other occasions fulfilled by their partners (mainly international). In the first occasion, the SMEs, after careful assessment, decided to terminate the collaboration with certain partners of theirs, since those were considered as less valuable for the new uncertain environment. In a similar way, high state PEU influenced several partners of the SMEs who in their turn selected to stop cooperating with them temporarily or permanently.

Similar to the developments of ties deletion, the high state PEU played also primary role in the ties formation. In that respect, the case study showed that the participating SMEs, due to high state PEU, formed new ties with new partners in the existing domestic – international markets and/or to new international markets. The process of formatting new ties can be distinguished in two stages which appear to have occurred at the same time. The first stage refers to the “mandatory” creation of new ties after the aforementioned development of ties deletion, i.e. the termination of a number of long – term, contractual collaborations. In that way, the SMEs aimed to replace their deleted partners and eventually to regain access to vital resources. The second stage refers to the “voluntary” efforts of SMEs to add more partners within their networks from the existing, domestic – international (e.g. Germany, France) markets but also from new international markets (e.g. Turkey, Russia, Balkan countries). In that way, the SMEs aimed to secure the inflow of vital resources from either the existing markets or the new international markets which so far have been neglected and at the same time to acquire new resources from partnerships that didn’t have in the past.

#### **Inter – organizational relationships development**

The case study showed that high state and response PEU triggered two developments in regard to the relationships connecting the SMEs and their partners at both the domestic and international networks. This particular network development includes the strengthening of relationships in the level of horizontal and vertical network level and also the exertion of power – pressure from the side of SMEs to their partners and vice versa.

The SMEs achieved the reinforcement of ties by communicating more frequently with their partners and devoting more resources (time, capital) to the maintenance/reinforcement of certain collaborations. In that respect, at the horizontal level, in order the SMEs to mitigate the state and response uncertainties reinforced their ties with their industry associations. By coming closer to their domestic peers (members of the industry associations), the SMEs aimed to establish and implement a mutual strategy which could enable them to exert pressure towards certain big international tour operators (e.g. “TUI”), to penetrate new international markets (e.g. Turkey) and also to expand to the existing ones (traditional big European markets, such as Germany). Similarly, at the vertical level of the network, the

SMEs reinforced their ties with domestic and international partners. Thus, a number of long term collaborations developed from weak to strong; interestingly, this also happened in recently established collaborations. In that way, the SMEs aimed to ensure the continuation of collaboration with certain partners in order to secure the acquisition of vital resources.

Also, mainly due to high state PEU, the SMEs displayed an opportunistic behaviour and exerted pressure to certain partners. This development was fulfilled by the SMEs individually but also collectively (as discussed above, after the reinforcement of relationships at the domestic – horizontal level) with the substantial contribution of their industry Associations. Through this development, the SMEs aimed to reduce their partners' fees or sustain the same. Interestingly, this development was again bi – directional as the deletion of ties, meaning that a similar pressure was also exerted by the SMEs' partners, particularly from the big international tour operators who attempted to exploit the existence of the uncertainty conditions and achieve a reduction on the fees charged by the participating SMEs.

#### **Exchanged content development within the inter – organizational networks**

The case study showed that the Greek SMEs developed significantly the content being exchanged with their partners. Here, likewise to the previous network developments, state and response uncertainty motivated the SMEs to seek more intangible resources from their partners; these resources refer to the exchange of support – help and information – knowledge.

Initially, the SMEs, through the process of the ties reinforcement, sought for psychological support from their partners which could help them ease the uncertainty. In that way, the SMEs attempted to find some sympathy in their partners and also to understand their intentions in terms of their collaborations. However, the SMEs also started seeking more practical support and help from their partners from both vertical and horizontal networks. For example, at vertical level, the SMEs aimed to achieve certain facilitations in the financial transactions with their domestic and international partners. At the horizontal level, the SMEs sought and received also other type of support and help, such as the organization entirely by the side of industry Associations of FAM trips or the participation in tourism exhibitions in new international markets.

Also, the SMEs addressed to their partners in order to acquire information – knowledge in order to better understand the unpredictable changes that have emerged in late years and have formed a new volatile environment. For that reason, the SMEs established new channels of information with their partners or re – activated old ones. In that way, the SMEs were able to acquire valuable, in depth information from their horizontal partners and also diversified, novel information and knowledge (e.g. proposals and suggestions to encounter several changes such as the imposition of capital controls) from their vertical network partners. It is very likely that both developments with regard the exchanged content have been facilitated further by the reinforcement of relationships.

#### **6.4. Empirical contribution**

The current thesis makes empirical contributions to the literature concerning the network perspective of internationalization within the context of small firms and to the research on the development of their inter – organizational networks.

Firstly, this study adds to and builds on the general research investigating the network development, a very significant aspect of the inter – organizational network concept. To date, the inter – organizational network research has largely concentrated on the antecedents (Cropper et al., 2008; Ebers, 2015; Grandori and Soda, 1995; Oliver, 1990) and also to the outcomes (Ebers, 2015; Musteen et al., 2014) of particular type of networks and their relationships. However, in recent years, the number of studies examining the development of networks has been increased (Coviello, 2006; Kaartemo et al., 2019; Sepulveda and Gabrielsson, 2013; Stanisauskaite and Kock, 2016; Wegner et al., 2018), but still there are calls for further investigation in this domain since these studies focus mostly on the endogenous factors (such as the actors’ attributes, the structure and relations in existing networks) that influence the network dynamics and neglect the exogenous factors (such as environmental uncertainty). However, in significantly extending this literature, the present study captured and explored the crucial role of the external environment on the development of firms’ networks and in particular in the context of SMEs within Greek tourism industry. Specifically, this thesis demonstrated clearly how the external factor of PEU triggered the participating SMEs to develop their networks in several ways, namely in terms of their structure, the strength of the relationships and the exchanged content.



Also, the current thesis contributes empirical evidence which essentially complements and aids the theoretical extension/development of Koka's et al (2006) seminal work in two directions: these are the applicability of Milliken's (1987) three differential uncertainty constructs (state, effect and response PEU), as well as their practical relevance and links with network development; and also the developmental patterns on the network architecture (structural and interactional dimensions) driven by any of the three PEU types. Koka et al. (2006) identified four different environmental change scenarios (referring to changes in environmental uncertainty and munificence) which may lead to four patterns of network change, namely the network "expansion", "churning", "strengthening" and "shrinking". The findings of this thesis, firstly, support Koka et al. (2006) theoretical proposition of "network churning". More specifically, the findings support that the PEU, created by unpredictable changes in the environment, can be considered a triggering factor for the structural development of inter-organizational networks which includes changes in the size and range portfolios of networks. Secondly, the findings extend their theoretical proposition in two points referring to the environmental uncertainty and the patterns of network development. Although, Koka et al. (2006) in their theoretical paper used Milliken's (1987) definition of PEU, they viewed PEU as unidimensional and thus avoided to establish concrete links between the differential types of PEU (state, effect and response PEU) and network development. Further, their propositions concentrated exclusively on the structural network developments (size and range portfolios) and neglected other potential, but equally significant, developments on the network architecture (i.e. the interactional dimension of the networks). In this regard, the present thesis extends their work through an analysis that links the Milliken's (1987) three differential types of PEU to a larger scope of network developments which concern their structure (e.g. ties creation), the strength of their relationships (e.g. conversion of weak ties to strong) and also the exchanged content between the participating firms and their domestic – international partners (e.g. information – knowledge). Also, by applying Koka et al's (2006) proposition in the context of SMEs, this thesis addressed the multiple calls of several scholars (Hoang and Antoncic, 2003; Jack et al., 2010; Slotte-Kock and Coviello, 2010; Wegner et al., 2018) for more empirical studies in this area and identified that small firms, likely because of their limited resources, are driven by PEU to develop their networks in several ways.

Secondly, this thesis extends the literature concerning the SMEs' networks and internationalization. While scholars (Agostini and Nosella, 2019; Manolova et al., 2010; Leppäaho et al., 2018; Montoro-Sanchez et al., 2018; Musteen et al., 2014; Ojala, 2009) recognise the use (advantages) of networks on the internationalization process of SMEs, little is known on why and how small firms develop these networks and further their international activities. To date, there are a small number of studies addressing the network dynamics of small firms and most of our understanding on this important aspect of networks relates mainly to the endogenous factors such as the existing network ties (Coviello, 2006; Kontinen and Ojala, 2011), agency behaviour (Coviello, 2006; Kaartemo, et al., 2019), firm strategic goals (Sepulveda and Gabrielsson, 2013; Wegner et al., 2018) neglecting the influential role of exogenous factors, particularly that of environmental uncertainty. This thesis contributes substantially to the respective literature gap by illustrating that the dynamics of the SMEs' network architecture, namely their development in both, the domestic and international markets, can be also triggered by the exogenous factor of PEU which has been created by macro – micro environmental pressures/changes. More specifically, this study, based on the evolutionary approach (Van de Ven and Poole, 1995; Slotte–Kock, and Coviello, 2010) advances our understanding on how, at the firm level, the managers/owners' perceptions about environmental uncertainty, deriving from several sources (e.g. governmental, socio – cultural) trigger the development on their inter – organizational networks. Drawing on Milliken's (1987) established conceptual framework of environmental uncertainty, the findings reveal that state, effect and response PEU prompt the participating SMEs to modify three elements of their networks, meaning their structure, the strength of their ties and also the content that have been exchanging with their partners. In this case study, PEU has been shown to lead to the churning of the existing international networks of the SMEs resulting either in ties deletions or new ties formation or in several occasions in both developments. In fact, the state PEU triggered the SMEs to expand more actively their networks in the existing, "traditional", international markets (e.g. Germany, Netherlands) and also to penetrate new international markets (e.g. Turkey, Balkan countries) that so far had been neglected. Also, this case study showed that PEU triggered the interactional dimensions of the international networks. Particularly, the SMEs, due to PEU, reinforced certain ties with international partners and/or exerted intense pressure to others. Simultaneously, driven by the same factor, the SMEs sought more

actively intangible resources (information – knowledge and support) from their international partners. Similar interactional developments were also occurred at the domestic – horizontal networks which in their turn contributed substantially and further enhanced the above mentioned developments in the international networks. This builds on a relatively small body of research in the area of SMEs’ network dynamics and internationalization (Coviello, 2006; Kontinen and Ojala, 2011; Sepulveda and Gabrielsson, 2013; Wegner et al., 2018) which however mainly examines the development of networks from the life – cycle point of view and do not cover the broad type of SMEs, rather focus on the INVs, or the BGs and family SMEs. The findings also show that not all three types of PEU need to exist to justify these network developments. Rather the experience of high state uncertainty, which is considered to be the most influential, can alone trigger any of the aforementioned network developments. In addition, the study tentatively suggests that the network development is not solely under the control of the SMEs’ decision makers. For example, network shrinking and also the exertion of power – pressure may also happen due to the network partners’ actions which however, again were triggered by environmental uncertainty. This finding adds on Kaartemo et al.’s (2019) recent results about the “intentionality” of network dynamics and extends the literature of SMEs network development (Coviello, 2006; Kontinen and Ojala, 2011; 2012) which usually tends to claim that the focal firm is the main instigator of network development and thus focuses on its deliberate actions but neglect the unintentional forces of network dynamics.

## **6.5. Theoretical contribution**

The current thesis makes two important theoretical contributions. Firstly, this study contributes to the network theory of internationalization according to which both inter – personal and inter – organizational networks are considered to be a stepping – stone for small firms to enter distant markets (Johanson and Vahlne, 1977; 1990). Specifically, this thesis applied the network theory in order to provide a richer understanding of the dynamics of the inter – organizational networks in the context of SMEs. Therefore, having as the centre of interest the SMEs’ inter – organizational networks per se and their dynamic nature (as seen in Coviello, 2006; Kaartemo, et al., 2019), this thesis examined in depth the influential role of the exogenous factor of PEU, which has been neglected so far in the

network development literature, in the evolvement of the inter – organizational networks. This is an important contribution to the literature because it demonstrates that the adequate understanding of networking activities requires the examination – understanding of the SMEs environmental context, i.e. their rapidly changing environment, including the concept of environmental uncertainty that may trigger the network development. In that respect, this qualitative study allowed the identification of the developmental patterns which were triggered by PEU and emerged at the structural and interactional dimensions of the SMEs' inter – organizational networks in both the existing domestic/international markets as well as to new international markets. Thus, this study tentatively suggests a classification of potential approaches that SMEs could apply in their network development.

Secondly, this thesis contributes to organizational theory, particularly to the literature in the field of strategic management which aimed to explain the relationship between organizations and their external environment (Duncan, 1972; Lawrence and Lorsch, 1967; Milliken, 1987). Specifically, this research validated that the nature of PEU is not unidimensional; rather, as Milliken (1987) suggested, it is multidimensional and is comprised of three differential types, namely state, effect and response uncertainty. Therefore the concept of PEU should be examined as separate phenomena of “understanding”, “interpreting” and “responding” to the external environment. Further, this study specified the source/s of uncertainty in the context of SMEs by identifying the linkage of the PEU types with certain domains of the external environment, such as the political and socio – cultural domain, i.e. the domain/s of the environment for which the participating decision makers of SMEs have limited information and experienced uncertainty. This study builds on Milliken's (1987) construct by showing that there is a variation in the intensity level and experience scope (in the environmental domains) of the three types of environmental uncertainty. In fact, this study contributes to the literature by identifying state PEU as the prevailing type of uncertainty among the three, which, in contrast to the other types of uncertainty, is experienced in all five identified sub – environments. Thus it reveals the disproportionate influence of the three types of PEU on managers' decision making in relation to their networks. Also it shows that the perceptions of state and response uncertainty are directly linked to certain network strategies that are designed to secure not only information but also other resources (e.g. inflow of incoming tourism, support – help).

In addition, this thesis extended the organizational theory by revealing the direct, significant impact of PEU, derived from several sub – environments, on the behaviour of the SMEs’ decision makers in regards to their partners within the domestic and also international inter – organizational networks. Specifically, through the application of the critical realist case approach (Easton, 2010; Ryan et al., 2012), the author, initially, was able to capture the SMEs managers’ perceptions in regards to PEU which in turn prompted them to react at the firm level and thus to develop the inter – organizational networks of their firms in terms of both the structural and interactional dimensions.

## **6.6. Practical and Policy implications**

The findings of this thesis have also practical and policy implications. Firstly, the findings indicate to the managers of the SMEs the role of PEU on the influence of network development. This exogenous factor can equally to the endogenous factors (discussed in the literature review 2.5.1.), trigger substantially the development of both the structural and interactional dimensions of the SMEs’ network. This finding helps the SMEs’ managers to improve their understanding on this aspect of their inter – organizational networks and build a more comprehensive picture, specifically, about the factors that may trigger their development. In fact, the SMEs’ managers should pay close attention to the sudden incidents/changes that occur in several domains of their external environment at the domestic and international level and are likely to cause uncertainty, since those can affect their partners’ uncertainty perceptions and consequently affect their intentions in terms of their collaborations. As it can be seen in the findings, the existence of high level of state and response PEU prompted the participating SMEs to develop their networks in various ways. Therefore, in the likelihood of high environmental uncertainty, the SMEs should consider that a similar behaviour – which in fact also appeared in the findings (see section 4.3.1.1. of the analysis) – can be expressed by both, their domestic and international partners. In other words, the managers of SMEs should be aware that the emergence of high level of PEU will be likely followed by developments in their networks which might be out of their control and can have either positive or negative implications on their performance. For example, a particular structural development, i.e. the deletion of ties by the side of the partners could have devastating effects to the SMEs since the procurement of vital resources could be

terminated while another, again by their side, interactional development on the network, i.e. the reinforcement of ties could have positive results, such as the increase in the frequency of transactions. It would be very difficult to accurately estimate the partners' intentions and their potential actions since these would highly depend on the extent of environmental changes and the respective, experienced uncertainty level. However, the SMEs, based on the findings, have an indication and better understanding of the possible actions and should be prepared accordingly for any scenario.

Secondly, the findings indicate to the SMEs the patterns of network development which can adopt in order to alleviate environmental uncertainty, particularly high state and response PEU, deriving from certain environmental domains, such as the governmental and socio – cultural. In that respect, the managers of SMEs can use the findings of this thesis in an assessment of their own networks in order to identify 1) what is the appropriate structural framework that should be established in their networks in regards to their range and size, 2) what types of relationships should comprise their networks, and finally 3) what intangible resources should be exchanged, so they may work to develop their networks in these dimensions and thus being able to mitigate PEU.

In terms of the network structure, the SMEs should consider to proceed to the development of network “churning” which involves simultaneously the ties deletion and also ties formation with new partners. Based on that structural development, the SMEs, as a first step, need to assess their partners with the intention to delete the ties with those whom deem to be less valuable in terms of their prices and/or may exert pressure on them, for example by reducing the provided credit limits and demanding in advance full payment for the supply of resources. In that way, the SMEs will be able to absolve resources (such as personnel, time) which then can be allocated to the establishment/maintenance of other, more valuable collaborations. At the same time, the SMEs should concentrate on actively seeking to establish new collaborations in the already existing (domestic – international) markets and also to new international markets. In that way, they will be able to replace the deleted partners and secure the procurement of vital resources; will decrease their dependency to certain partners and thus will be less vulnerable to their demands; will be able to effectively substitute the markets where problems have emerged (e.g. the UK market where “Brexit” occurred a few years ago and caused difficulties). Certainly, the

developing new portfolio of the network size and range should be arranged according to the capabilities and availability of resources of each SME and may not differ to a great extent from the previous network configuration.

Also, the SMEs should also consider which types of relationships should be established in order to mitigate PEU. The findings suggest that SMEs should create a mix of ties, comprising of weak and strong ties, which however should be predominated by strong ties. In that respect, they should focus on reinforcing certain relationships of theirs, converting those ties from weak to strong. Crucial focus of the SMEs should be the reinforcement of ties, through more frequent interaction and devotion of more resources (e.g. time), with the horizontal network partners, namely their industry Associations. This relationship development will likely ease essentially the creation and implementation of a mutual strategy which eventually will allow the SMEs to act collectively and overcome significant problems, such as the limited resources. Specifically, this relationship development can facilitate the SMEs' attempt for penetration to new, international markets with the prospect of formatting new ties with new partners and/or the further establishment (consolidation) to the existing markets. The reinforcement of ties is also important to be applied at the vertical networks with certain domestic as well as international partners. This will assist the SMEs to ensure the continuation of important collaborations which procure vital resources. However, the SMEs are advised to not restrict themselves in this particular relationship development, rather to follow a more balanced tactic and exert pressure to other vertical domestic – international partners with whom the aforementioned reinforcement of ties is either unfeasible, or costly or not that necessary.

Finally, the SMEs should concentrate on acquiring from their partners more intangible resources which could help them cope with PEU. Specifically, the SMEs should address more actively to their industry Associations and seek for their support – help. Indeed, the findings suggest that the industry Associations are capable of providing to the SMEs substantial support which range varies, and covers several important networking aspects, from the collective participation in international exhibitions to the collective representation on the negotiations with big international partners and the government. This development on the exchanging content between the SMEs and the Associations will assist the former to access new international markets, to form new collaborations and also to achieve their goals

against certain big international partners. Moreover, the industry Associations can be viewed as sources of valuable information which could allow the SMEs to scan more effectively the unexpected changes in their external environment and knowledge which could help them to effectively respond to those environmental changes. Apart from the “exploitation” of the industry Associations, the SMEs should also address to their partners on the vertical, domestic and international networks in order to acquire support – help but also information/knowledge. This support – help differs in nature from the one provided by the Associations and involves the emotional support which may further enhance the reinforcement of relationships as well as the facilitation of financial transactions between the SMEs and their partners. Again, in this instance, the SMEs should seek knowledge which, because it derives from the weak ties, may be novel and therefore can further assist the SMEs to understand what happens in their external environment and identify an effective response to the emerged changes.

### **Policy implications**

From a policy perspective, this thesis offers insights to public agencies that support the SMEs’ inter- organizational networks and also their international activities. Firstly, the findings reveal that the SMEs have experienced high state and response PEU in relation to the governmental domain. In occasions, for example during the period of capital controls, the causes of the increasing level of uncertainty occurred, to an extent, due to the false and/or inadequate briefing by the side of the government and the relevant institutional organisations. This finding suggests the existence of an institutional void which is an additional impediment for the international endeavours of SMEs with scarce resources. Therefore, the public agencies should aim to diminish this void and, taking into consideration the needs of SMEs, particularly in financial and informational resources, provide them essential support which can mitigate uncertainty and generally facilitate their international business activities. For example, public agencies can help overcome the information obstacles by providing information on fiscal and monetary rules and regulations and disseminating market information.

Also, the findings demonstrate to the public agencies supporting the inter – organizational networks, the importance of network development, through which the SMEs are able to



alleviate environmental uncertainty and at the same time increase their cross – border ventures that are considered to be contributing to the scale up and enhancement of the productivity of national economies. Therefore, the public agencies should focus on actively stimulating the structural and interactional development of the SMEs’ networks. For example, the public agencies can provide financial support to the SMEs and boost their access to new international markets and expand their networks with the addition of new international partners. This financial support can be distributed directly to the SMEs or indirectly by supporting their industry Associations, which as seen in the findings, undertake to organise the participation in international exhibitions or take other actions (e.g. FAM trips) to bring closer the SMEs and potential international partners. In addition, the public agencies can arrange a series of seminars highlighting the benefits of network development also at the interactional level and through them to encourage the SMEs to be closer to their industry Associations and certain international partners.

## **6.7. Limitations**

As with all studies, this research has certain limitations. This thesis applied the qualitative research strategy of single case study to delve deep into the link between PEU and network development, and thus, better grasp and reveal the participants’ perceptions and experiences about PEU and network development, a topic on which little previous research exists (Kaartemo et al., 2019). However, the researcher acknowledges that the single case study can be questioned for its inability to address adequately the criterion of generalisability (Gibbert and Ruigrok, 2010). Bearing this in mind, the first limitation concerns the inability of single case studies to achieve statistical generalization due to smaller samples and thus infer conclusions about a large population. Yet, the primary aims of the study were not to generalise in a statistical sense, rather the research aimed to build theory through analytical generalisation.

Second, the case involved the investigation of PEU as a triggering factor for the network development of SMEs in the context of Greek tourism sector. Therefore, the findings of the case can be considered limited to a specific context of a single sector. However, this case did address the calls within the network development literature for more case research in several other contexts, for example different from the context of global start – ups (Coviello,

2006), the family – SMEs (Kontinen and Ojala, 2011) or the iBusiness marketplace (Kaartemo et al., 2019). Moreover, this study examined the links between PEU and network development in a service context. It is possible, therefore, that the SMEs' reaction to PEU might be different for manufacturing SMEs. This might be happening due to the absence of an institutional void in the manufacturing sector or the resources shortages of these firms on finance and well trained personnel are not severe; consequently, the decision makers of manufacturing SMEs may have better access to information. As a result, future studies should examine how PEU shapes network development in the context of production driven firms. Also, the concept of PEU was examined in a single spatial level, i.e. national. In that respect, it is possible that the approach of PEU at regional or local level would have unearthed managers' different perceptions on environmental uncertainty due to the dissimilarities that may exist among those spatial levels in regards to the volatility of the environment. Further, at regional and local level, there may be conditions (such as governmental financial support) moderating the relationship between PEU and network development which in their turn could result in different SMEs' reactions towards their partners.

Third, the data were collected within a specific timeframe; specifically, the interviews were conducted in the period between April 2017 and November 2017. Due to the limited timeframe, it was difficult to identify all possible sources of environmental uncertainty which in their turn might have triggered other patterns of network development. This has prevented to an extent the researcher's efforts to fully investigate the PEU in relation to the network development. For example, among others, the researcher could not capture in the data the emergence of the corona virus which have adversely affected the SMEs in the tourism industry of Greece and very likely triggered additional developments or enhanced the changes, already identified in this thesis, in their inter – organizational networks.

Fourth, the research relied mainly on the accuracy of reports from key informants from within the SMEs in regards to the development of their ego – networks. This means that the information, captured from informants external to the SMEs, was relatively limited (specifically to four participants from tourism institutional organizations) due to researcher's budgetary and resource constraints which made difficult the adequate collection of alternative views on the factors that led to the identified network developments.

Another limitation of this thesis concerns the data collection process during which a few participants were not able to describe in full detail their experiences in regards to PEU and network development. This might have happened because they didn't feel comfortable with fully disclosing the possible limitations of their firms. However, this "hesitancy" of these particular interviewees did not affect substantially the richness of the data since overall the majority of the participants were very "open" and provided valuable insights about the influence of PEU on the network development (see section 3.8 of methodology chapter). Also, the researcher's subjectivity could be considered as another limitation, particularly during the coding process; the researcher aimed to surpass this limitation by reviewing extensively the literature and the documentary evidence and thus developing a research framework which in turn enabled the construction of the codes and sub – codes.

## **6.8. Future research**

This thesis demonstrated how the PEU, particularly state and response PEU, triggered the development of the inter – organizational networks of SMEs operating in the Greek tourism industry. Future research could involve case studies investigating if the identified influential role of PEU on network development is applicable in other industrial contexts, for example in manufacturing or retail sales industries. Also, it would be of particular interest for future studies, again through the application of qualitative methodology, to examine and compare how the SMEs in different cultural contexts and also markets which have not experienced so severe changes (e.g. the economic crisis in the macro – economic domain) as the Greek market, perceive environmental uncertainty and what is its potential influential power on the development of their networks. For example future studies could investigate the link between PEU and network development in other European developed markets, such as Belgium and Germany and also developing markets, such as Bulgaria. Moreover, the researcher acknowledges that there are potential issues with the links between PEU and network development areas (e.g. exchanged content) that require further attention; thus, future studies could examine specifically the influence of PEU on the content development among partners in terms of tangible resources (e.g. capital).

Additionally, future research, as other scholars have already suggested (Coviello, 2006; Kaartemo et al., 2019; Sepulveda and Gabrielsson, 2013) could include the participation of

more actors of the network, external to the SMEs, for example the suppliers of SMEs, and thus, apart from the egocentric point of view of the focal firm, would provide a more multilateral point of view about the influence of PEU on network development. Also, future studies could devote more time in the field and expand their timeframe limits of data collection process in order to capture insights concerning a longer period which may involve all types and levels of PEU and their impact on network development.

Moreover, future studies could investigate the phenomenon by comparing what occurs at different spatial levels; for example to compare how the SMEs located in the capital develop their networks as a reaction to PEU with the SMEs located in the islands or distant parts of the mainland.

Another suggestion for future research, which could advance further the SME network dynamics literature, would be the examination of the actual outcomes of the identified network developments in the SMEs' effort to mitigate PEU. Some potential questions towards this research direction could be the following: "how beneficial was the structural development of network churning in the mitigation of state PEU?" and "how long did it take for the SMEs to reduce PEU after the implementation of structural or interactional developments?".

Finally, given the attention that has to be applied in generalizing from the small samples of the single case study, future studies could use a quantitative methodology in order to test further the findings of this thesis in a larger sample.

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## **Appendix 1: Access letter**

Dear \_\_\_\_\_,

My name is Theodoros Drekolias and I am a doctoral candidate in the International Business department of Sheffield Hallam University. I am currently undertaking a research project in the domain of small and medium enterprises (SMEs) inter-organizational networks within the Greek tourism industry and I would like to invite you to participate. The study is supervised by Dr. Martin Owens, Dr. Andrew Johnston and Professor Chengang Wang.

Without a doubt, tourism industry constitutes an increasingly complex and competitive industry where a lot of significant changes have occurred, especially the last ten years. Changes in the fiscal and monetary policies, volatility in financial markets, immigration crisis are some of the concerns that tourism companies have to face in order to survive in an already challenging environment. Greek tourism companies are forced to adapt to the environmental changes if they wish to remain viable and competitive. We suspect that the development of networks constitutes a strategy that enables Greek tourism companies to sustain their competitive advantage.

Due to the aforementioned facts, in this study, I intend to investigate how the uncertainty of the economic environment affects the development of SMEs inter-organizational networks. The findings of this study will be helpful in the sense that they will improve our understanding about the factors that influence the development of inter-organizational networks of SMEs; they will provide a more comprehensive picture of the network outcomes and how the potential benefits are distributed among participants since these depend on the network architecture and its development over time; they will provide better insights on the functional roles of networks and will help us understand the sustainability of network based advantages.

If you agree to participate in the research, you will be invited to meet with me for an interview. At the end of the project you will be provided with a copy of the findings. During the interview, we will discuss issues such as how managers of firms perceive uncertainty that exist in the economic external environment and how these particular perceptions affect the development of the firms' network. The meeting should last 1 hour and 30 minutes and can be arranged in a mutually agreed place and time. A number of SMEs managers from the

tourism industry will be included in the research. In that way, managers' views and experiences will provide better insights and consequently a better understanding of important issues surrounding the SMEs inter-organizational networks.

The session will be audio taped in order to gather accurately what is discussed. All responses will be kept confidential as well as your identity and of the company. The findings will not be used for commercial purposes or for financial gain. Also, I have to point out that is not my intention through this study to cause any problem on the performance of your company or being critical of your institution.

Sincerely,

Theodoros Drekolias

Dr. Martin Owens

Dr. Andrew Jonston

Professor Chengang Wang

## **Appendix 2: Information sheet**

Research investigating the potential influence of the uncertainty of the economic environment on the inter-organizational network development of Greek tourism small and medium enterprises (SMEs).

### The study:

Networks appear to be vital living organisms which change, grow and develop through time. In that respect, the factors that trigger this development and its outcomes need to be investigated.

Mr. Theodoros Drekolias, researcher in the Sheffield Hallam University, would like to invite you in a study that investigates which type of perceived environmental uncertainty triggers the inter-organizational network development of SMEs and consequently will identify which are the outcomes of this particular change.

Your company would participate in the study alongside with other Greek SMEs and tourism organizations (such as Associations) operating in the tourism industry.

### Benefits of the study:

The findings of this study will:

- Improve our understanding about the factors that influence the development of inter-organizational networks of SMEs.
- Provide a more comprehensive picture of the network outcomes and how the potential benefits are distributed among participants since these depend on the network architecture and its development over time.
- Provide better insights on the functional roles of networks.
- Enhance the success rate of inter-organizational networks among SMEs.

Participants are entitled to receive a report of the findings.

Regarding confidentiality, all responses will be kept confidential as well as the name of the company and the participant's. Formal confidentiality agreements can be arranged if required.

### What the study involves:

- I would like to conduct between thirty to forty interviews with managers-directors of Greek tourism SMEs.
- Each interview will take 60-90 minutes.
- The session will be audio taped
- All interviews will be conducted within 2017.

Thank you very much for your consideration and I hope to hear from you.

## Appendix 3: Interview protocol

### Interview Protocol

University of Sheffield Hallam University

Research on SMEs Network Development

Date:

Institution:

Interviewee:

Position:

Introduction

Thank you for taking the time to meet with me today and participate in my Ph.D. research. This research project as a whole focuses on the development of SMEs networks (inter-organizational relationships, strategic alliances, business groups, collaborations) with particular interest in understanding how the uncertainty of the economic environment affects the development of these networks.

Ethical concerns

The duration of the interview will be approximately an hour and a half. During the interview I will take notes but I will also audio record the session in order not to omit any of your comments. All responses will be kept confidential. In that sense, your interview responses will only be shared with the research team members. The same applies to your identity and the identity of your institution. If you have any questions regarding the objective and the procedure of the interview please do not hesitate to ask.

Introductory questions (Organization and Interviewee's background)

1. Initially, I would like to ask some things about you

1.1. How long have you been working in the company?

1.2. Which are your main responsibilities?

2. Could you please give some information about the company?

2.1. What are the main activities?

2.2. What are the aims of each organization?

3. Could you please tell me about the current network of your company? The firm's relationships with other companies



3.1. What kind of relationships? (Contractual agreements, long or short term collaborations, R&D agreements)

3.2. How many partners? (Examples if possible)

3.3. From which industry?

#### Theme A (external business environment of Tourism SMEs)

4. Can you please tell me about the business environment of your company? Can you describe it?

4.1. Which are the main domains? (for example macro-environment: economic, political/legal, technological, sociocultural, natural; micro-environment: distributors, customers, market, competitors, and suppliers)

4.2. Is it challenging? Why?

5. Which domain/s is/are important for your company?

5.1. Why? Can you give me more details on that?

6. What difficulties do you face? Example

6.1. In terms of predictability and change?

7. Do these difficulties that you mentioned affect the inter-organizational networks of SMEs?

7.1. In what ways? Example (seek new partners)

#### Theme B Perceived environmental uncertainty

8. How do you perceive uncertainty? Can you please tell me more?

8.1. How SMEs perceive uncertainty in their business environment?

9. Do you face difficulties in predicting the changes in your external environment? (State uncertainty) (Example)

9.1. What are the main reasons that lead to this uncertainty? (Example, lack of information) why is this happening?

9.2. Have you taken any actions to address these difficulties? What happened after this incident?

9.3. Did any of the actions concern their network?

10. Do you face difficulties in understanding the impact of these changes on their company?  
(Effect uncertainty) (Example)

For instance, the manager might be able to predict the changes in governmental regulations but he is not aware of the direct impact these changes might have on his/her company.

10.1. What are the main reasons that lead to this uncertainty? Again, it can be lack of information.

10.2. How do you react/ encounter this uncertainty? (Actions taken)

10.3 Did any of the actions concern their network?

11. Do you face difficulties in identifying the effective response to the changes of their environment? (Response uncertainty) (Example)

At this point, the manager might be aware of the possible changes and their effect but he/she does not know which the most effective response to these changes is.

11.1. What are the main reasons that lead to this uncertainty? Again, it can be lack of information.

11.2. How do you react/ encounter this uncertainty? (Actions taken)

11.3. Did any of the actions concern their network?

#### Theme C Network development

12. Can you please tell me how do you perceive network development?

12.1. What about managers' perceptions, from your experience, interaction, discussions with managers-directors (question for managers of tourism institutional organizations)

Due to the uncertainty and volatility of the industry (motivated – Influenced by that fact) did you proceed to the following actions?

13. Did you seek new partners? Delete/freeze current partners; increase/decrease the size of their network? (Network size and range)

13.1. Why? Can you explain further?

14. Did you seek to increase the variety of their partners? (e.g. partners from different industries, different countries) (Network size and range)

14.1. Why? Can you explain further?

15. Have you tried to strengthen or “loosen” your relationships with existing partners?  
(Development on the inter – organizational relationships)

15.1 Why? Can you explain further?

16. Possible changes in the formality of your relationships, from informal to become more formal? (Development on the inter – organizational relationships)

16.1 Why? Can you explain further?

17. Possible changes in the relationships of networks? In trust, friendship, power, dependence. (Development on the inter – organizational relationships)

17.1 Why? Can you explain further?

18. Did you seek to establish several types of relationships? (E.g. alliances, contractual agreements) (Development on the inter – organizational relationships and Network size and range)

18.1 Why? Can you explain further?

19. Changes in the content that partners exchange through networks? (Capital, support, legitimacy, information) (Changes in the exchanged content between partners)

19.1 Why? Can you explain further?

20. Apart from coping with environmental uncertainty, can you please tell me other benefits of network development? Can you give me more details on that?

21. Are there any other factors that play significant role by moderating your network development? (e.g. strategic orientation of the firm, internal resources)

Can you explain further?

Are there any other issues that I should have raised with you? Thank you for your time

## Appendix 4: Confidentiality Agreement

**Title of Research Project:** Perceived environmental uncertainty and its influence on the development of the SMEs inter-organizational networks.

**Key investigator:** Theodoros Drekolias

**Other key investigators/ supervisors:** Dr. Martin Owens, Dr. Andrew Johnston, Professor Chengang Wang

I, Theodoros Drekolias, researcher in the Sheffield Hallam University, in the department of International Business, declare that I am responsible for the aforementioned research project.

In this Confidentiality agreement, I verify that I will –

1. Keep secure all the data gathered during the phase of data collection (interviews, observations)
2. Keep all the data gathered confidential by not discussing, disclosing or sharing the research data in any form or format (disks, tapes, transcripts) with anyone other than the Supervisors professors of the project, Dr. Martin Owens, Dr. Andrew Johnston, Professor Chengang Wang.
3. Use the method of coding in order to replace names of participants and organizations

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(Print Name)

---

(Signature)

---

(Date)

Researcher(s)

---

(Print Name)

---

(Signature)

---

(Date)

The plan for this study has been reviewed for its adherence to ethical guidelines and approved by Research Ethics Board at the University of Bradford (Ethics Application E561).

For questions regarding participant rights and ethical conduct of research, contact the Research Ethics Office at +44 (0) 1274 233112/ [ethics@bradford.ac.uk](mailto:ethics@bradford.ac.uk)

## Appendix 5: Research Consent Form

Research Consent Form

<b>Name of Researcher(s)</b> <i>(to be completed by the researcher)</i>
<b>Title of study</b> <i>(to be completed by the researcher)</i>

**Please read and complete this form carefully. If you are willing to participate in this study, ring the appropriate responses and sign and date the declaration at the end. If you do not understand anything and would like more information, please ask.**

I have had the research satisfactorily explained to me in verbal and/or written form by the researcher.	YES /NO
I have been given the opportunity to ask questions about the project and my participation.	YES/NO
I understand that the research will involve interviews which will be audiotaped and will last 60-90 minutes.	YES/NO
I voluntarily agree to participate in the research project.	YES/NO
I understand that I can withdraw from this research project at any time without having to give an explanation.	YES/NO
The procedures regarding confidentiality have been clearly explained (e.g. use of names, pseudonyms, anonymization of data, etc.) to me.	YES/NO

The use of the data in research, publications, sharing and archiving has been explained to me.	YES/NO
I understand that other researchers will have access to this data only if they agree to preserve the confidentiality of the data and if they agree to the terms I have specified in this form.	YES/NO

**I freely give my consent to participate in this research project and have been given a copy of this form for my own information.**

**Signature:**

**Date:**

## Appendix 6: Coding tables

Coding – before the codes review/refinement

Level 1 coding

<b><u>Introductory theme</u></b>
General info about the company
<b><u>Theme A. External business environment</u></b>
Political/legal
Macroeconomic
Sociocultural
Market
<b><u>Theme B. Perceived environmental uncertainty</u></b>
State uncertainty
Effect uncertainty
Response uncertainty
<b><u>Theme C. Network development</u></b>
Network structure
Relationship development
Exchanged content

Level 2 coding

<b><u>Introductory theme</u></b>
<b>Company's background</b>
<ul style="list-style-type: none"> <li>• main activities</li> </ul>
<ul style="list-style-type: none"> <li>• size</li> </ul>
<b>Participant's background</b>
<b>Current network</b>
<ul style="list-style-type: none"> <li>• horizontal network associations or similar companies</li> <li>• vertical network (suppliers, management companies)</li> </ul>
<b><u>Theme A. External business environment</u></b>
<b>Political domain</b>
<ul style="list-style-type: none"> <li>• political instability</li> <li>• war - terrorism</li> </ul>
<b>Governmental domain</b>
<ul style="list-style-type: none"> <li>• legislation</li> <li>• taxation</li> </ul>
<b>Macroeconomic domain</b>
<ul style="list-style-type: none"> <li>• economic crisis</li> </ul>
<b>Sociocultural domain</b>



<ul style="list-style-type: none"> <li>• demonstrations - strikes</li> </ul>
<ul style="list-style-type: none"> <li>• social riots</li> </ul>
<b>Competition domain</b>
<ul style="list-style-type: none"> <li>• new entrants</li> </ul>
<ul style="list-style-type: none"> <li>• rivalry among competitors</li> </ul>
<b>Theme B. Perceived environmental uncertainty</b>
<ul style="list-style-type: none"> <li>• experience of state uncertainty</li> </ul>
<ul style="list-style-type: none"> <li>• experience of effect uncertainty</li> </ul>
<ul style="list-style-type: none"> <li>• experience of response uncertainty</li> </ul>
<b>Theme C. Network development</b>
<b>Network structure</b>
<ul style="list-style-type: none"> <li>• expansion of networks</li> </ul>
<ul style="list-style-type: none"> <li>• shrinking of networks</li> </ul>
<b>Relationship development</b>
<ul style="list-style-type: none"> <li>• reinforcement of relationships</li> </ul>
<ul style="list-style-type: none"> <li>• power - pressure</li> </ul>
<b>Exchanged content</b>
<ul style="list-style-type: none"> <li>• exchange of information</li> </ul>
<ul style="list-style-type: none"> <li>• support - help</li> </ul>

Coding – final codes, after the codes review/refinement

Level 1 coding

<b>Introductory theme</b>
Company's background
Participant's background
Current network
<b>Theme A. External business environment</b>
General info on tourism industry
Political domain
Governmental domain
Macroeconomic domain
Sociocultural domain
Product - market domain
Competition domain
Natural domain
Technological domain
<b>Theme B. Perceived environmental uncertainty</b>
State uncertainty
Effect uncertainty
Response uncertainty
<b>Theme C. Network development</b>

Network structure
Relationship development
Exchanged content

## Level 2 coding

<b><u>Introductory theme</u></b>
<b>Company's background</b>
<ul style="list-style-type: none"> <li>• main activities</li> </ul>
<ul style="list-style-type: none"> <li>• size</li> </ul>
<ul style="list-style-type: none"> <li>• strategy - policy</li> </ul>
<b>Participant's background</b>
<ul style="list-style-type: none"> <li>• participant's education</li> </ul>
<ul style="list-style-type: none"> <li>• participant's experience</li> </ul>
<ul style="list-style-type: none"> <li>• participant's responsibilities</li> </ul>
<b>Current network</b>
<ul style="list-style-type: none"> <li>• horizontal network associations or similar companies</li> </ul>
<ul style="list-style-type: none"> <li>• vertical network (suppliers, management companies)</li> </ul>
<ul style="list-style-type: none"> <li>• info on collaborations, length of collaboration</li> </ul>
<ul style="list-style-type: none"> <li>• info on collaborations, number of partners</li> </ul>
<ul style="list-style-type: none"> <li>• info on collaborations, types of collaborations</li> </ul>
<b><u>Theme A. External business environment</u></b>
<b>Political domain</b>
<ul style="list-style-type: none"> <li>• coup d etat</li> </ul>
<ul style="list-style-type: none"> <li>• immigration</li> </ul>
<ul style="list-style-type: none"> <li>• political instability</li> </ul>
<ul style="list-style-type: none"> <li>• war - terrorism</li> </ul>
<b>Governmental domain</b>
<ul style="list-style-type: none"> <li>• capital controls</li> </ul>
<ul style="list-style-type: none"> <li>• legislation</li> </ul>
<ul style="list-style-type: none"> <li>• taxation</li> </ul>
<b>Macroeconomic domain</b>
<ul style="list-style-type: none"> <li>• economic crisis</li> </ul>
<ul style="list-style-type: none"> <li>• exchange rates</li> </ul>
<b>Sociocultural domain</b>
<ul style="list-style-type: none"> <li>• demonstrations - strikes</li> </ul>
<ul style="list-style-type: none"> <li>• social riots</li> </ul>
<b>Competition domain</b>
<ul style="list-style-type: none"> <li>• new entrants</li> </ul>
<ul style="list-style-type: none"> <li>• rivalry among competitors</li> </ul>
<b><u>Theme B. Perceived environmental uncertainty</u></b>

<b>State uncertainty</b>
<ul style="list-style-type: none"> <li>• characterization of high, medium or low level</li> </ul>
<b>Effect uncertainty</b>
<ul style="list-style-type: none"> <li>• characterization of high, medium or low level</li> </ul>
<b>Response uncertainty</b>
<ul style="list-style-type: none"> <li>• characterization of high, medium or low level</li> </ul>
<b>Theme C. Network development</b>
<b>Network structure</b>
<ul style="list-style-type: none"> <li>• access to new markets, formation of new ties</li> </ul>
<ul style="list-style-type: none"> <li>• existed markets, formation of new ties</li> </ul>
<ul style="list-style-type: none"> <li>• deletion of existing ties (permanent or temporary)</li> </ul>
<ul style="list-style-type: none"> <li>• effort to establish new ties</li> </ul>
<ul style="list-style-type: none"> <li>• re - cooperation</li> </ul>
<b>Relationship development</b>
<ul style="list-style-type: none"> <li>• reinforcement of ties</li> </ul>
formal to informal
informal to formal
frequency of cooperation
regular contact
<ul style="list-style-type: none"> <li>• power - pressure</li> </ul>
changes in payment terms
changes in rates - prices
changes in types of contracts
<ul style="list-style-type: none"> <li>• reciprocity - mutual strategy</li> </ul>
<ul style="list-style-type: none"> <li>• friendship - trust</li> </ul>
<b>Exchanged content</b>
<ul style="list-style-type: none"> <li>• exchange of advice</li> </ul>
<ul style="list-style-type: none"> <li>• exchange of information</li> </ul>
<ul style="list-style-type: none"> <li>• support - help</li> </ul>

Level 3 coding (example of causal explanation: network structure)

<b>Theme C. Network development</b>
<b>Network structure</b>
political, high state PEU,
<ul style="list-style-type: none"> <li>• access to new markets, formation of new ties</li> </ul>
<ul style="list-style-type: none"> <li>• existed markets, formation of new ties</li> </ul>
<ul style="list-style-type: none"> <li>• deletion of existing ties (permanent or temporarily)</li> </ul>
<ul style="list-style-type: none"> <li>• effort to establish new ties</li> </ul>
<ul style="list-style-type: none"> <li>• re - cooperation</li> </ul>
governmental, high state PEU,

<ul style="list-style-type: none"><li>• access to new markets, formation of new ties</li></ul>
<ul style="list-style-type: none"><li>• existed markets, formation of new ties</li></ul>
<ul style="list-style-type: none"><li>• deletion of existing ties (permanent or temporarily)</li></ul>
<ul style="list-style-type: none"><li>• effort to establish new ties</li></ul>
<ul style="list-style-type: none"><li>• re - cooperation</li></ul>
<ul style="list-style-type: none"><li>• governmental, high response PEU</li></ul>

## Appendix 7: List of participants

No/Pseudonym	Participant's Position	Tourist type	Company Size	Company Location
1	General Manager	Hotel 4*	Small	Athens
2	Owner/Manager	Hotel 3*	Small	Andros
3	General Manager	Hotel 3*	Small	Sparti
4	General Manager	Travel agency	Medium	Athens
5	Owner/Manager	Studios Apartments	Micro	Chios
6	Owner/Manager	Tourist shop/souvenirs	Micro	Paxoi islands
7	Owner/Manager	Hotel 3*	Small	Athens
8	Owner/Manager	Hotel 3*	Small	Kefalonia
9	General Manager	Hotel 2*	Small	Athens
10	Owner/Manager	Hotel 2*	Micro	Sparti
11	General Manager	Hotel 4*	Small	Chios
12	Sales/Operation Manager	Travel agency	Medium	Athens
13	Owner/Manager	Travel agency	Small	Athens
14	Owner/Manager	Travel Agency	Micro	Athens
15	Operations Manager	Travel agency	Small	Karpathos
16	Sales Executive	Travel agency	Medium	Athens
17	Sales Manager	Hotel 4*	Small	Athens
18	Owner/Manager	Studios Apartments	Micro	Chios
19	Owner/Manager	Hotel 3*/Studios Apartments	Micro	Leykada
20	General Manager	Travel agency	Micro	Athens
21	Owner/Manager	Hotel 2*	Small	Athens
22	Owner/Manager	Apartments/Travel Agency	Micro	Chios
23	Owner/Manager	Hotel 4*	Small	Sparti
24	Owner/Manager	Travel agency	Micro	Athens
25	General Manager	Group of Hotels	Medium	Athens
26	Owner/Manager	Hotel 4*	Micro	Sparti
27	General Manager	Hotel 4*	Medium	Chios
28	Owner/Manager	Apartments/Restaurant	Micro	Chios
29	Owner/Manager	Group of Hotels	Medium	Athens
30	Owner/Manager	Studios Apartments	Micro	Chios
31	Research Director	Institute of Research/Greek	N/A	Athens

		Tourism Confederation (SETE)		
32	Project Manager	Greek Tourism Confederation (SETE)	N/A	Athens
33	General Manager	Department of Tourism of the Regional Unit of Chios	N/A	Chios
34	General Manager	Tourism department of Chios Municipality	N/A	Chios