

From Kalokagathia to Philotimo: Connected Ethics in Modern Greek Cooperatives

Theodoros A. Katerinakis, Msc, Doctoral Candidate

Tel: +215 895 6143

e-mail: tk325@drexel.edu

Department of Culture & Communication,

Drexel University, 3141 Chestnut St., Philadelphia, PA 19104, USA

Mailing Address: 106A North 21st Street, Philadelphia, PA 10103, USA

Abstract: *The core value of Greek philotimo derives from the root concept of kalokagathia and is manifested in the institutional and transactional ethos of Cooperative Banks in Greece. A major case study of Bank of Chania is presented to introducing the analytical approach of social network analysis, via UCINET, to represent membership ties and managerial ties in the second largest Greek cooperative bank. The concept of ethics in doing business is extended in a deliberate tendency to build transactional networks that enforce pre-existing social networks and stay tuned with sustainable local economies, a notion consistent with locality in multicultural Europe. Cooperative banking operates in intersection of emotional capitalism and social economy, as a cultural process through which new interactional- emotional scripts of economic relationships are illustrated by the cultural frames of cooperation or team work. The case of Bank of Chania shows how non-commercial ties of buyers- sellers matter in “major purchases”. Most such transactions take place among kin, friends, or acquaintances that substitute impersonal markets, especially when decisions involve high uncertainty; so common values like philotimo promote connectedness and builds trust that prevails in dealing with risk in order to make decisions, sustain and support them.*

Keywords: culture, philotimo, kalokagathia, network, cooperative banking, homopolar ties, trust, IPA, ethics

Introduction

Every group and especially nation's culture possesses and reflects a core value that is at the center of their collective self and shared mindset. USA devotes itself to "freedom" (e.g. Kengor, 2004), where as in Canada the concept of "social justice" (Kernaghan, 1995) seems to prevail. In Greek culture this central value is called "philotimo" (Kostoulas, 2008; Skyftou, 2005; Hoban et al, 2004; Koutsantoni, 2004; Triandis, 2000; Mavreas et al, 1989; Kourvetaris, 1971; Vassiliou et al, 1966), a non translatable and unique conscious "arete" of honor and pride (with a rational capacity of *logos*), with the basis of empathy for others, as expressed through acts of generosity and sacrifice (building *pathos*).

When someone communicates they are doing so as a member of a particular and unique influence of a religion, racial and national history, the social expectations of their gender and all the factors that constitute their culture and worldview. Culture consists of the relatively specialized lifestyle, values, beliefs, artifacts, ways of behaving and ways of communicating. The notion of culture includes anything that a group has produced and developed: language, ways of thinking, art, laws, religion, communication patterns, styles and attitudes (DeVito, 2006; p. 37). Hofstede (1997, p.25) provides more abstract definitions for culture: "*A collective programming of the mind which distinguishes one group from another...[a type of] mental programming ...[with] patterns of thinking and feeling and potential acting*". Culture is transmitted from one generation to another, through intra/intergenerational communication. Even gender and ethnicity of origin are considered to be cultural variables although remaining biological characteristics. The way people define and understand issues reflect various factors that put emphasis in communication (Fisher, 2006; p. 17): demographic changes (family patterns and human mobility), cultural sensitivity (from assimilation to the cultural diversity of a salad bowl), economic interdependency (international trade flows underlines cultural well-being), communication technology and competence (communication competence is usually culture-specific). Culture is not easily acquired; it is a process of growing into a society and evolves with economy. As of Jones (2007) it includes:

- learning values; i.e. dominant beliefs and attitudes,
- following rituals; i.e. collective activities,

- modeling against heroes (role models), and
- understanding symbols; i.e. myths, legends, dress, jargon, lingo etc.

These ingredients of culture are acquired since childhood. Following Hofstede (2005) and Hall (1997), cross-cultural differences, especially in business environments, are framed by four dimensions:

- *Power Distance*: describes the extent to which unequal distribution of power and wealth is tolerated.
- *Individual and Collective orientation*: determines whether people prefer to work alone or in groups.
- *Masculinity*: refers to the degree to which stereotypical masculine traits like authority, assertiveness, performance and success are preferred to female characteristics like personal relationships, quality of life, service and welfare.
- *Uncertainty Avoidance*: measures the extent to which people are threatened by a lack of structure or by uncertain events; how people will deal with the future, whether they have inherent control, or whether events are of fatal realization.

Cultural, societal, institutional and deeper value factors interfere and modulate the message piece of information to the first level of perception. If virtues are ethical messages then culture is the channel through which virtues are propagated. In the case of social networks¹, the constituent elements of individuals and their relationships lay a fertile ground of sender-receiver and interaction of ethical behavior.

Greek Mindset: Where *Philotimo* Meets *Kalokagathia*

The Greek value system since antiquity offers insights on atomistic behavior, private ownership of property and its protection, the division of labor, free foreign trade, exchange value, money and interest, and policy issues using the ideas of Hesiod, Democritus, Plato, Xenophon, Aristotle and others (Doukas, 2007; Petrochilos, 2002). Those theorists seem to converge in the concept of

kalokagathia, as the ethical basis of life in the Greek city-state; Socrates' major ethical concern of "how should one live" extends to economic, social, and political relationships where justice and logic have primacy over human will. Originally, *kalokagathia* uses human physique (*kalos*) in pair with virtue, justice, and wisdom (all in *agathos*) that emphasizes the moral responsibility found in Homer's texts. The pragmatic content of the concept suits to a community organized on the basis of scattered individual households to defend against enemies (of the time) in a society with a "shame culture". As Greeks moved on to form cities, *agathos* is enriched with cooperativeness, temperance, civil service, justice, and wisdom (Adkins, 1960, p. 63). So, *agathos politis* (good citizen) became the one who contributes to the prosperity of the city in general, practicing *philanthropia* as a primary service explained by Contantellos (2008). Greeks considered economics (governing the *oikos*) as part of their inquiry on ethics, politics, and their social organization. So, while profit making is legitimate since ancient Greece and part of the atomistic system (Doukas, 2007; p. 222-223), profiteering (*aishrokerdia*) is punished back in mythological times: Creon in Sophocle's *Antigone* threatened the guard under the suspicion that he has received money to allow the burial of Polynices (Petrochilos, 1999). Greek economic thought is placed within the Mediterranean tradition that perceives the economy as embedded in a web of social and political institutions, regulated by religious and ethical norms (Baeck, 1994). The crystallization of economic thought with an ethical value system is implemented in the concept of *kalokagathia*. Applying this concept in developing interpersonal relationships based on mutual respect of oral commitments, trust, pride and honor the virtue of *philotimo* is emerging (Ioannou, 2009).

Greeks are an "ethnos anadelfon" or brother-less nation (Sartzetakis, 1985). *Philotimo* for Greeks is defined as an innate faculty that derives from *amour propre*. *Philotimo* may boost people to do more than what is expected. Money, beauty and power have no place when *philotimo* is involved, because *philotimo* is about offering of yourself, without expecting anything in return, and only because you want to create a wonderful moment for somebody. Hence, *philotimo* is a life principle for Greeks; it is interpreted as love for honor, honor "to show" for the others and honor "to receive" from the others, a characteristic of intense in small communities of the Greek periphery. It is a case of an ideal occurrence where participants generally accept a norm based in the foundation of that normative society, as defined by Habermas (1990, pp.182-183). This type of normative ethics transcends deontology of duties and rules, as well as consequentialism of the

consequences of actions. In this sense philotimo closer matches with virtues and moral character that define virtue ethics. Furthermore, the three central concepts of virtue ethics *virtue*, *practical wisdom* and *eudaimonia* are comprehensible, objective, and empirically truthful (Held, 1980; p.331) in various manifestations of philotimo. It is a virtue that matches with credibility, with the tendency to cooperate and the ritual of keeping your word (face and commitments) without reserving it in a contract; it is a way of life with *ethos*, consistent with the teleological approach of Aristotle. Philotimo has its anthropological roots in the “poetics of manhood” (Herzfeld, 1991; p. 8) that are easily observable in micro-communities of the Greek periphery, like Crete, and challenged by various categories of non European foreigners residing and working in contemporary Greek society (Petronoti, 2003).

Modern Greeks take philotimo as highly desirable; if you want Greek men to cooperate with you, then you must appeal to their “philotimo” including their personal worth; to persuade them to the degree to which what they are about to do is of “a higher good.” Questioning someone’s philotimo is sometimes equated as being dispossessed of true Greekness (Adamson, 1995). It is also a direct counter measure to *rouspheti* – the reciprocal dispensation of favors (Clogg, 2002, pp. 4-5) – as enforced during the Turkish rule of Greece that remains as a major modernization obstacle. This attribute of personal integrity and keeping face and trust is essential for any banking practice and gets institutional support in community networks that form cooperative banks. It is a script of a collective programming of mind (Hofstede, 1991; p. 25) for Greeks, a determinant of the foundation of cooperative and credit- related institutions in the European Mediterranean culture and the Greek tradition.

Cooperative Bank of Chania: An Atypical Bank

In an era of turbulence, domino-effects in the globalized economic environment, and interconnected institutions, established economic entities and local societies are flailing. Banking terminology is dominated by “resolutions” –meaning failure and sale– and a “back to basics” approach in business is widespread. But beyond Wall Street-orientation the Main Street functions has an unsighted side that underpins local communities: cooperative banking that shares a tradition of mutuality and deals with day-to-day operation as implemented by

Cooperative Bank of Chania, branded as Bank of Chania (CBC) in the Greek island of Crete. Crete is a special case in the insular environment of Greece for its wealth of decentralized institutions; Crete is a region where *strong communities ameliorate weak institutions*, where transactional ethos is grounded in keeping your word and face and be accountable on that, as a *poetic of living*². In the historic capital of Crete CBC is a protagonist of economic activity, scores well on social capital and defends the founding principles in its actions, values, policies, measures, expectations and outcomes, indicating that healthy networks of families and friends play an essential role in local communities. In other words CBC is build upon integrity concerns threaded in a cohesive web of members that made it resilient and less vulnerable than most of the industry.

CBC operates under the supervision of Central Bank of Greece and it is a relative small bank with paradigmatic health and leading position in the region of Crete; a solvency ratio of 28%, highly beyond the Greek national operational requirement of 10% for commercial banks and 12% for cooperative banks³. It is characteristic to say that National Bank of Greece⁴ reports a solvency ratio of 15%. CBC retains all the guarantees for the average member and all investors in the bank's share capital, as well as institutional protection by the Greek Deposit and Investment Fund, as all the non-cooperative commercial banks. The small scale of 24 branches, 200 specialized personnel members, 40,000 deposit accounts, 8,000 credit accounts, 21,000 members, innovative technology, document management processes, and e-payment systems creates a comparative advantage. This is to say that CBC implements one-stop-shop policy, applies direct-follow-up to customers in 2-day period, reduces the cycle of borrow-lend-payback directing to medium-term loans, is almost paperless with digitizing all incoming and outgoing papers, and implements an office self-organizer via IP-phone utilities. Each employee is responsible for several tens or hundreds customers in his area and builds closeness with these customers. Thus, opportunity cost in operation is smaller than large-scale banks with CBC personnel as service centers. In terms of internal supervision, auditing is divided in reporting cycles, so compliance personnel and junior auditors generate their reports independently while having to respond to weekly auditing inquiries from the Central Bank of Greece and Greek Capital Market Commission.

Ostrom⁵ (2009) argues that humans have great capabilities and are more effective than our common understanding when they are self-organized. Such a cooperative formula of polycentric

self-organization is quite effective in Greece and the region of Crete; CBC has a proven record of banking efficiency, as shown in Figure 1(a). CBC is one of the 16 cooperative banks covering the 13 regional authorities of the Greek territory, as shown in Figure 1(b), in a network that consists of 181 banking branches⁶. CBC operates in the region of Crete and in Athens achieving remarkable figures as the only local scope banks operating in Greece.

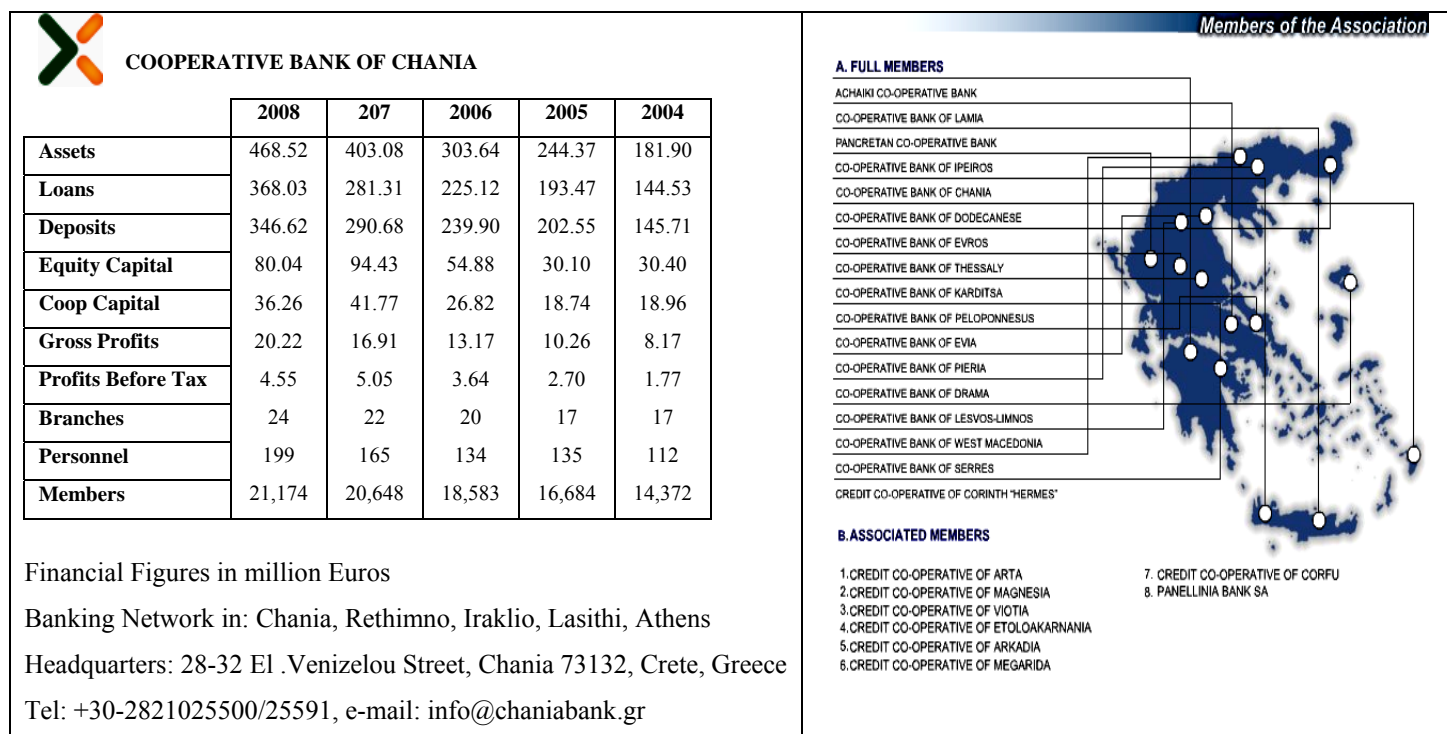


Figure 1: (a) Scope and figures of CBC in Greece (Crete and Attica) (b) The distribution of Coop Banks in 13 Greek regions⁷

Greeks since antiquity put emphasis on integrity (*akeraiotita*), the primary layer of the modern philotimo⁸. Integrity originally reflected the public pressure to behave uprightly, a norm of the citizen. It would be unthinkable that someone without integrity - in terms of honesty, justice, truthfulness- is admired. Emphasis on goodness is encapsulated in the ancient inscription “*kalos k' agathos*”⁹ on numerous Greek artifacts; it means, literally, “good and purely good” in person and good as a social being. One is esoteric for personal improvement, the other extrovert to the quality of social relations. Integrity as a purpose and criterion of good life survived in modern times in Greece as the proverbial philotimo, with a teleological perspective but a deontological rootage. Philotimo seems to gain the status of a collective conscience in modern Greece, where people no longer philosophize about it, or try to impose it on the masses, but take it for granted and assume its widespread existence.

Rhetorical and Moral Aspects of Cretan Philotimo in Routine Language¹⁰

CBC's community lives by the notion of philanthropy and philanthropia as the gist of philotimo is several occasions. In the philanthropic foundations that are operating as corporations we able to identify corporate governance issues that are compatible with the concepts of accountability, as reliability and transparency. This widespread citation of philanthropia reflects the primary issue of philotimo, as initially described. This aspect of collective self is explicitly related with approaches of trust. Trust is described (Salem, 2009; p. 73) as reflex, as a fixed expectation of culture, sometimes as being learned and situational. Trust is also considered as a resource of social capital, power, and social support. A striking definition of trust as proposed by Salem is that of an “*interaction variable leading to a probability to engage another*”. This type of engagement is in the hardcore of business relationships, especially in the banking sector. Moreover in cooperative banking trust is the intangible connection that guarantees concrete membership relationships.

The notion of philotimo in modern Greek mindset and deep culture is inscribed in cultural expressions such as proverbs, songs, mantinades and pieces of literature. Mantinades are folk rhyming couplets very popular in the island of Crete, where philotimo is a matter of personal pride and dignity:

In Greek	In English
Το κρητικό φιλότιμο και η φιλοξενία, Είν'αρετές που δίνουνε στον άνθρωπο αξία!!	Cretan <u>filotimo</u> and the art of hospitality <u>are virtues that people take value of.</u>
Όπου βοσκός και ανθρωπιά, αντρεία, κουβαρνταλίκι φιλότιμο, αισθήματα και καπετανλίκι.	Wherever a <u>shepherd</u> is that is where to find manhood, generosity, <u>filotimo</u> , sentimentality, and captainship (<u>hegemonic status</u>)
Αντρας πούχει φιλότιμο και σεβασμό σηκώνει πράμα εκτός το θάνατο δεν τον εταπεινώνει	A man of <u>filotimo</u> deserves respect and nothing humiliates him but death

Table 1: Philotimo in Mantinades

In the expressive means of culture, proverbs, together with fables, folktales, folksongs and riddles, are part of every spoken language. They are part of cultural heritage that inform one's mindset through the word of mouth from generation to generation, until they were recorded and became a folklore treasure for posterity. In the case of philotimo the Greek cultural tradition offers a reasonable number of them:

In Greek	Από τότε που εφευρέθηκε το "συγγνώμη", χάθηκε το φιλότιμο. <u>Ανώγνωμος</u>
In English	After "sorry" was invented, <u>philotimo</u> has been lost (Unknown, folk proverb)

Table 2: Apology and Philotimo

In theorizing *philotimo*¹¹ philosopher Thales of Miletus explained: "*Philotimo to the Greek is like breathing. A Greek is not a Greek without it. He might as well not be alive*". Janus goes on to describe it as, "*Philotimo involves personal pride, dignity, courage, duty, sacrifice - even one's life - and above all demands respect and deep personal freedom*". These are among the traits of a responsible and well informed client member of a cooperative bank. Throughout Greek society the premise of moral equality interacts with strategies to gain advantage among widely separated class or professional interests (Herzfeld, 1991, p. 77). As Campbell (1964) describes it, there is a nuance in *philotimo*, a dependability of moral respect and social asymmetry. Moral respect is simultaneously a mask and a condition mutual dependence (and exchange) of shepherds, merchants, and politicians. Lyberaki et al (2002) argue that emphasis needs to be placed on the elusive boundaries between social trust and its Greek substitutive notion of *philotimo* (sometimes translated as "honor"), especially in the case of relatively small communities. The modernizers' rhetoric is thus in terms which should be familiar with all who are dealing with social capital, and can be interpreted as an attempt to create trust in institutions and in processes (an aspect of institutional *philotimo*). In rural areas, like the most part of Crete, honor and the lack of it take dimensions that embrace the whole family, in the cities they become more confound and individualized. Thus, the "urban" and "bourgeois" re-definition of honor is based exclusively on the individual condition of each person and not on the behavior of other members of one's family (HBV report, 2004). The only social class that does not consider honor of such primary importance is the urban middle class. This is consistent with other Herzfeld's ideas that names are markers for moral boundaries (in non-urban setting), since the latter are themselves highly flexible: what is considered evidence of socially acceptable morality (*philotimo*) in one individual may be treated as the very opposite in another, even when the same co-villager is judging. Again, it is important to distinguish an honor of position, which is an ascribed category related to possessions, and a discrete moral category which devolves from achievement of reputation among social peers. In egalitarian contexts, male competitions subsumed by honor may be expressed in terms of "seniority", or "respect" and "honor (Gilmore, 1982). Egalitarian relations are on the basis of transactional patterns in cooperative banking.

Some scholars (Vassiliou V & G, 1973, 2004 in HBV report) argue that “philotimo” and not “honor” guides the modern Greeks in their social life. As the individual lives in an increasingly complex social environment his/her social behavior is no longer governed by the rules of the group, as much as by one’s own perception of their individual role. In recent years philotimo has become an ideal; it is the consciousness of superiority of mental achievements against material interest in life, a subconscious voice of authentic humanism with its own rationale. Personal dignity is the conscious of ultimate sacredness of the corporeal human, but for the Greek it is the axiom that directs life (Vakalopoulos, 2001). Philotimo is the earned respect and recognition from another part of the value of one’s action. Sometimes, philotimo is the positive side of vanity and not always selflessness (Ramfos, 2001; p. 23). Philotimo is one of the ideals that traditional nuclear Greek families aim to implant to the generations that follow, frequently invoked when asking someone to come to one’s senses or to correct an undesirable attitude. Similarly the – conscious or not – urge to prove worthy of the nationally praised characterization “philotimos” might function as a self-fulfilling prophecy. It involves a collective sense of belonging (SIRC report, 2007; p. 3). A positive experience of such an identity is the case of Greeks’ reaction during the Olympic Games 2004. When athletes win medals “*they are overwhelmed with national pride, among other emotions,*” and so are their fellow-countrymen¹². Greeks again could be a characteristic example, adding their volunteers’ movement, because they strongly view the Olympic ideal as a part of their national identity – a kind of a collective heritage.

It is striking to read a press release that CBC sent out in the summer season of 2009, a period of reasonable seasonal income for its members: “*We have to be realistic. Our decisions are member-oriented and our Board guidelines dictate periodical stress testing and daily screening of our customers. In all cases where the global crisis is the problem we are going to refinance. We are stepping down to our customers to discuss, consult, advice and refinance. Synergy and symmetry are the corner stones and their longevity is our strategy*”.

Cooperative and Social Economy and International Cooperative Principles

The above examples indicate that traditional Greek value of philotimo is the origin of security and status that are very important for Greeks in business, as well as the need for self-esteem

(Bourantas & Papadakis, 1996). These cultural traits explain to an extent the “small, family-owned firm” phenomenon in Greece. In such a format business ventures somehow deal more with agape and altruistic behavior, accountability, professionalism, symmetry in action and impact, and put in act the heart of survival as a “*collective entity with a common destiny*” to rediscovering community (Muel, 2004). A reflection and extension of the socially organized business finds an exemplary application in cooperative economy and banking. The same notion seems to be the cultural foundation recognized with a Nobel Prize for the institution of Grameen Bank with seven million borrowers (Yunus, 2006). The bank is self-financing and makes a profit with a high repayment percentage, as the borrower maintains face to their own community that guarantees normality and solvency in bank’s operation.

That is a characteristic example of an amalgam of social and value capital supported by a banking network that redefines entrepreneurship and social fabric in small communities. “*Let us suppose an entrepreneur, instead of having a single source of motivation (such as, maximizing profit), now has two sources of motivation, which are mutually exclusive, but equally compelling: maximization of profit and doing good to people and the world. Each type of motivation will lead to a separate kind of business. ... Social business will be a new kind of business introduced in the market place with the objective of making a difference in the world. Investors in the social business could get back their investment, but will not take any dividend from the company. Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.*” (Yunus, 2006)

The nature of social business is closely associated with the return of material capital not in monetary units but in units of social capital (like resources, solidarity, mutual recognition, respect and the sense of belonging and contributing), embedded in the structure of social entrepreneurship. A major type of such enterprises are the modern cooperative banks, in which money transactions are complemented with service agreements that give birth to active reciprocal relations among their members. Such banks are important in order to accomplish sustainable characteristics in a reference society, providing the material base to ensure the reproduction of monetary and social capital (Lin, 1999). Cooperative organizations in specific sectors like agriculture, with the Raiffeisen Agricultural Banks Association and the Irish

Agricultural Organisation Society, have emerged with some considerable degree of success (Yerburgh, 1896). In 2007, after the successful capital increase the Board of CBC addressed the members visiting the new headquarters: *"your trust as our members and stakeholders, who shared our vision for a lasting relation. Cultivating our roots in Chania, we embrace Crete, and we extend our message of cooperation prioritizing you, the people."* The CEO of CBC underlined that *"in 16 years cooperative identity made the difference based on self-assistance, equity, solidarity and communal responsibility; with no deviation from our principles CBC evolved in competition by utilizing its size with flexibility. It was not a highway but a footpath coupled with humans as our capital."*

In such social movements the individual actor gains from the support and protection of the group and the group gains from the contribution of the individual to the pool of its shared resources, in terms of a local social network. The net drawn together goes beyond instrumental self-interest and enriches socially-motivated ends of self-help, joints together for mutual assistance that forms the essence of co-operation and structures the social fabric.

The Cooperative Movement represented a complementary, ethically motivated, incentive of this response to capitalism and, with its ideals of local support, mutuality and democratic participation, was to become a dominant force in the 20th century and beyond. Robert Owen, the father of cooperation, defined social structures and not individuals as responsible for *"the moral degradation of capitalism"* (Donnachie, 2000). These structures were and still are a realistic representation of non-urban communities in small countries, in several cases in the Mediterranean area of Europe, in regional level in Asia (e.g. China) and semi-structured communities in Africa. Cooperation is still in demand, but in cases like Greece it became a necessity as resource sharing, information and knowledge exchange was the only feasible answer to productivity gap, and lack of awareness of transactional frameworks in local communities. The International Cooperative Alliance (ICA) driving force even for Greek business; more than 800 million people throughout the world are members of cooperatives. They are members of the world's largest non-government organization, the International Cooperative Alliance, which represents more than 250 national and international organizations.

ICA¹³ defines a cooperative as “*an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.*” Cooperative doctrine is identified by seven internationally recognized principles of cooperatives with a literal description in all constitutional agreements of cooperatives:

- i) *Voluntary and open membership:* Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- ii) *Democratic control by members:* Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women are able to serve as elected representatives, have equal voting rights, based on one member one vote principle.
- iii) *Member economic participation:* Members contribute equitably to the capital of their cooperative and democratically control it; part of that capital is the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, benefiting the members in proportion to their transactions with the cooperative, and supporting other activities approved by the members.
- iv) *Autonomy and independence:* Although cooperatives may deal with other organizations, including governments, or raise capital from external sources, they do operate in ways that ensure democratic control by their members and maintain their cooperative autonomy.
- v) *Education, training and information:* Cooperatives provide education and training for their members, elected representatives, managers and employees, so that they can contribute effectively to their development as organizations. They also inform the general public about the nature and benefits of cooperation.
- vi) *Cooperation among cooperatives:* Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, national and international structures.

- vii) *Concern for the community*: While focusing on member's needs, cooperatives also work for the community development through policies acceptable to their members.

Thomas (1997) following Owen's¹⁴ organizational settings experiments, applied the above principles in defining the member entities of a cooperative in the banking context. This "cooperative globe" represents his notion on Inclusive Partnership Approach (IPA) to business (as shown in Figure 2):

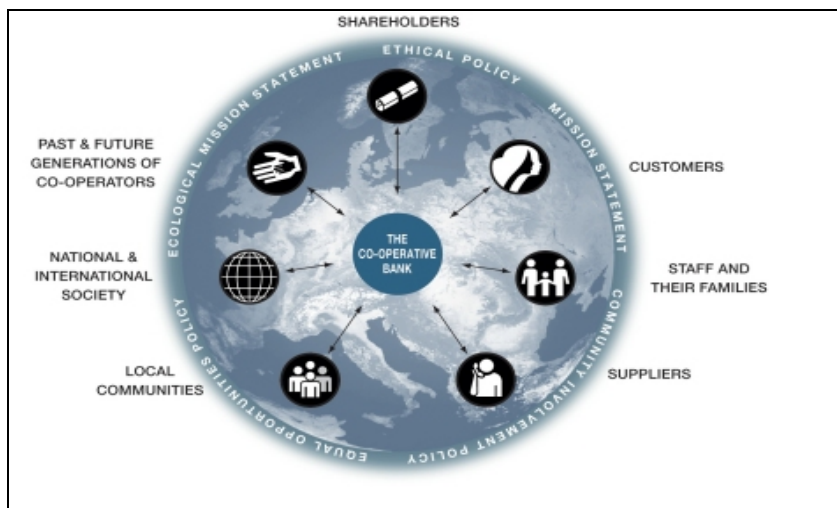


Figure 2: Cooperative bank partners as of Owen (adopted from Thomas 1997)

IPA designed above identifies seven partners to whom companies (and banks) have a responsibility: shareholders/members, customers, employees and their families, suppliers and partners, the community at large, wider/global society, past and future generations of co-operating entities. This approach was officially accepted in Greek Cooperative Network, as an institutional declaration of commitment in the Association of Cooperative Banks in Greece (1999). IPA as a notion is complemented by the principal cooperative values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. These cooperative values clearly define the network components using the traditional factory and community studies of Radcliffe-Brown, as described by Scott (2007). Using this definition of a cooperative organization, and more specifically bank, we are able to apply Wellman's network analytic principles (1983) in the context of cooperative banking. The six principles as adjusted for a cooperative network are the following:

1. *“Ties are often asymmetrically reciprocal, differing in content and intensity”*. So, values connecting cooperative members and entities are founding ties that fulfill these attributes.
2. *“Ties link network members indirectly as well as directly; hence ties must be analyzed within the context of larger network structures”*. Cooperative members are linked together directly when transacting and indirectly when engaging in exchange of resources and services.
3. *“The structuring of social ties creates nonrandom networks: so boundaries, network clusters and cross linkages arise”*: All cooperative entities participate in different subgroups that are inter-related and offer ascribed and acquired characteristics for individual and collective members that are united in the cooperative organization.
4. *“Cross linkages connect clusters as well as individuals”* (the nodes can be clusters of ties, groups, nation-states of other discrete units): IPA introduces in a crystal manner the various layers of cross-linkages in a cooperative network, consisting by individual and collective entities as well.
5. *“Asymmetric ties and complex networks distribute scarce resources separately”* (resources do not flow evenly or randomly in a social system; non-symmetric connections and fragmented subgroups of nodes direct the flow of resources): Resource sharing is asymmetrical because it starts from the principle of the need value. Subjective individual needs assess the value of resources for each member that may be disproportional, as mutuality and satisfaction are cumulative and not instantaneous elements in cooperatives.
6. *“Networks formulate collaborative and competitive activities to secure scarce resource”* (antagonism for allocation of resources is inherent in the social system. Competition for resources may be the source of social change): Collaboration is equivalent to cooperation in terms of the IPA, when applying the basic principles of cooperation in each cooperative. But, since cooperatives operate in the social system the major competition is among different cooperatives for allocation of the shared or non-sharable resources.

Cooperative Banking in Greece: Banking in the Greek Periphery

Cooperative banking sector was a late but well- adopted institutional innovation followed the second stream of deregulation of the market in the banking sector (Gortsos, 1998). The Central Bank of Greece on 1992, while Europe was en route to its economic and monetary unification (European Economic Community at that time), started incorporating an open market approach in new bank's establishment. Tradition was important in Greece as a pioneering institution, under the name of "Laborers' Credit Cooperative of Lamia", began its activities in 1900 (ESTE Review, 2002). During its long-lasting course, Cooperative of Lamia has substantially contributed to the development of the local society, providing an excellent banking support to its members. Cooperative Bank of Lamia is currently the oldest cooperative credit institution in Greece. This cooperative was an overarching societal initiative that connected individuals from all social classes and professions of the region that contributed to its establishment (in a bottom-up social venture). In 1993, Cooperative Bank of Lamia has successfully organized in the city of Lamia, the first European Conference addressing the theme "*Cooperative Banks in Greece and Europe and their role in local, regional and national level*", to notify the Greek society, and the representatives of European Cooperative Banks for the operation of cooperative credit in Greece (Kostakis & Katerinakis, 1999). The scope of Cooperative Bank of Lamia is not only restricted to banking activities, but included also social, charitable and cultural events and leads the route to social and civic engagement to all other cooperatives; mainly Bank of Chania and Pancretan Bank.

Cooperative credit in Greece began its development in the decade of 1990. Operation of the Greek Cooperative Banks is governed by the law 2076/92, which incorporated into Greek Law the European Union's Directive 77/78 that defines the structure and operation of Credit Institutions, as well as Act No 2258/2.11.1993 introduced by of the Governor of the Bank of Greece. The geographical distribution of cooperative banks in Greece is shown in Figure 3:

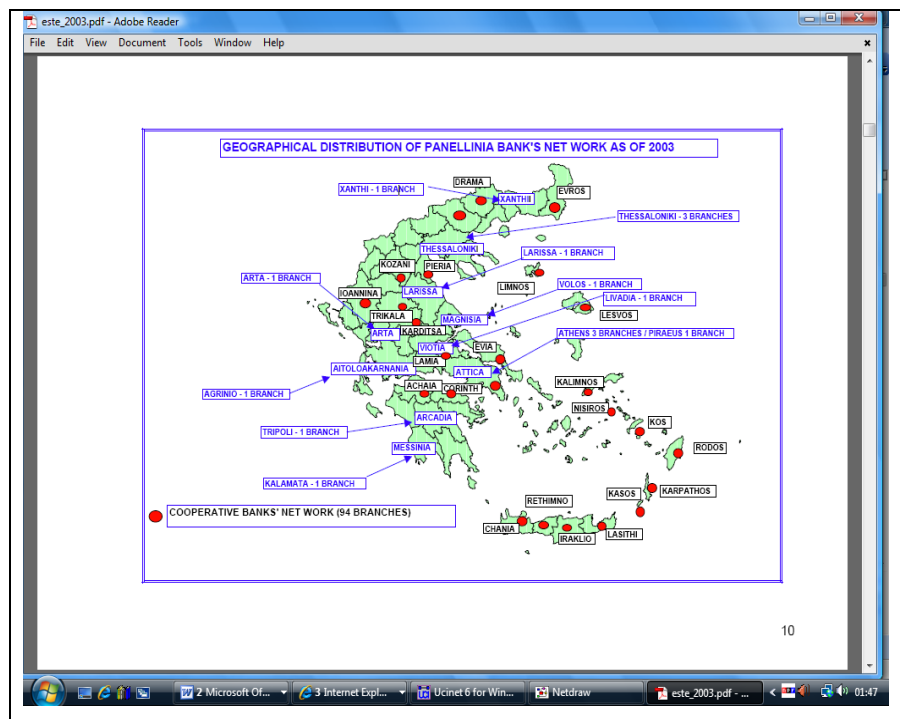


Figure 3: Geographical distribution of Coop Banking Network in Greece (ESTE, Development report, 2003)

After raising the required minimum capital and fulfilling certain conditions, Credit Co-operatives can apply and obtain the bank permit from the Bank of Greece to operate as “Credit Institutions”; as such cooperative banks can practice all banking activities like any commercial bank within the scope of the area of their establishment only (local scope closely tight with community). Credit Cooperatives that obtain the permit to operate as Credit Institutions are restricted in their legal status and have to use the term “Cooperative Bank” in their name. The amount of the minimum capital required has been readjusted four times, in the last 8 years, to levels that do not correspond to the financial and demographic data of many Greek counties; banking competition with the network of commercial banks directed regulation for the evolution of Credit Co-operatives into cooperative Banks. Cooperative banks offer banking transactions with their members only¹⁵ and can execute all banking activities except for immediate underwriting in initial public offerings (IPOs). So, the major rather constituent characteristic of their communal entity is the “*full implementation of know your customer*” principle way, as proposed by the Bank of International Settlements¹⁶ anti-laundry guidelines. The bank consists of a network of members accepted and enrolled after a screening procedure that affirms their originality and familiarity with the local community.

Cooperative reality in Greece and empirical observation extends DiMaggio's conclusions (DiMaggio & Louch, 1998) on consumer transactions; the Greek paradigm reveals that people make significant "purchases" (like money banking transactions on deposits and investment) from people (bank employees) with whom they have prior noncommercial relationships, as members in a society (banking cooperative) they trust. Banking transactions with "social contacts" is effective because it embeds exchanges in a web of obligations and reciprocity, based on a common accepted constitution. Also, such transactions hold the cooperative bank (seller) network responsible and dependent to effective performance and return to customer. In the economic transaction return and benefit on capital is crucial because the bank is financed on the base of the mutual- collective (share and deposited) capital owned by its own members. So, capital inefficiency is equivalent to cannibal operation. Furthermore, banking transactions and products are perceived as "risky" in small communities with low financial transaction awareness, within-cooperative network exchanges are more likely to occur as cooperative membership is the social guarantee (Yunus, 2006) for what is perceived as of "high uncertainty". Thus, banking preferences suit performance quality for banking products and "sellers" and "buyers" share social and commercial ties. Both sellers and buyers, they are participants in the same cooperative that contribute to augment their social (broaden membership) and material capital (for the bank).

Current research (Alexopoulos, 2006) examined the performance of Greek Cooperative banks and their importance for the development of the local areas they serve. The decade of the 1990's can be regarded as the one in which Greek cooperative banks have emerged and made their first successful steps. Three credit co-operatives, at the beginning of the decade, were evolved into Cooperative banks in 1992 when the legal framework provided such an opportunity. After the year 2000 there were 17 cooperative banks, all located at provincial towns. Within the first 10 years they have managed to build their apex institutions, a national association and their "central" bank¹⁷ (ESTE development report, 2003). Alexopoulos' analysis provides evidence for a banking performance (in terms of business and social benefit) that can alter essentially the quantitative and qualitative characteristics in the local context and can influence, positively, the developmental process in the Greek periphery. From an economic point of view, cooperatives effectively reduce market barriers that would typically impede groups (occupational or special interest groups) in developing and transformational countries from fully participating in the

economic arena (Schram et al, 2007). Also, cooperatives fight against usury (profiteering from interest), a common practice in the Greek market after WWII.

In the same notion, cooperative banks offer these efficiencies as part of the “membership privileged package” that is shared as a “homopolar” bond (give-take-contribute) among members (it is there for everyone and everyone contributes). Their membership and active transaction-participation become their common tie that is strengthened by the amount of time (these banks have extended banking hours), emotional intensity in terms of dependability (bank to customer) and reciprocal service (members complete their transactions and reciprocate benefit with deposits and bank services that illustrate their preference). This strengthening procedure is consistent with the notion of “tie strength” described by Granovetter (1973) and complements findings of consumer preferences, as of DiMaggio & Louch (1998). Since World War II, cooperative-based organizations in Europe, the U.S. and Canada have been champions of cooperative development, promoting overseas cooperatives in many countries. This set of principles and values in the IPA, combined with the sense of belonging and contributing (for members), are constructive elements of affiliation that expand the social lifeworld (environment) of a cooperative bank in the case of Greece.

As Alexopoulos concludes, cooperative banks in Greece would be capable to retain their ability to influence the financial markets and the development process in the extent of which they would create “*a strong link with local people*” in a sustainable way. In ethical terms, cooperative banks challenge philotimo of local communities and promote it as a value incentive. In other words, cooperatives are user-owned (users finance the cooperative), user-controlled (an elected Board of Directors serves as the liaison between the membership and management) and user-centered (members benefit when patronage funds are returned to members based on the amount of business conducted with the cooperative¹⁸). Trust is likely to be built and strengthened when the “*business is owned by those who use its services, is governed by elected leaders who are users, is locally-owned and controlled and whose customers democratically elect their policy body*” (Schram et al, 2007). Membership and trust as the fundamentals of identity between owner and user, bank and customer, are core elements in sustaining loyalty to the cooperative. Furthermore, these elements structure concrete network ties that homogenize people with various socio-demographic, behavioral, and personal characteristics and define a homophily attribution, in the

concept described by McPherson et al (2001). Homophily is cultivated in two dimensions creating social capital (Lin, 1999): similarity on interest, transaction demands and ethics among members of society, and institutional familiarity with the notion of “being in cooperation” and synergy that dictates acceptance and use of other non-financial cooperative organizations in the same society (as a token of preference and customer solidarity; shop from the union and from independent external chains/brands). Cooperatives, in many respects, are just like other banks. The important difference is that these are the only banks that give customers transparency in how their money is managed; most importantly, “*by encouraging their input into the ongoing development of bank’s ethical policy*” (Brooke et al, 2000).

Consequently, cooperative bank has achieved its differentiation by drawing a generic identity on the philosophy of the cooperative movement, in order to place itself within a separate position in the banking industry (Wilkinson & Balmer, 1996); cooperative identity becomes a social accepted brand when sometimes banks find their future in examining their past.

Cooperative Bank of Chania: A Case study for Managerial Network Representations

Currently, sixteen cooperatives banks operate in Greece with a total network of 181 branches covering the major part of the country, with the exception the islands of Cyclades and Eptanisa¹⁹. Bank of Greece has granted approval for two of these banks (Pancretan and Chania Bank) to operate country-wide, while another four have reached the cooperative capital required to allow them to expand their operations in the neighboring regions as well.

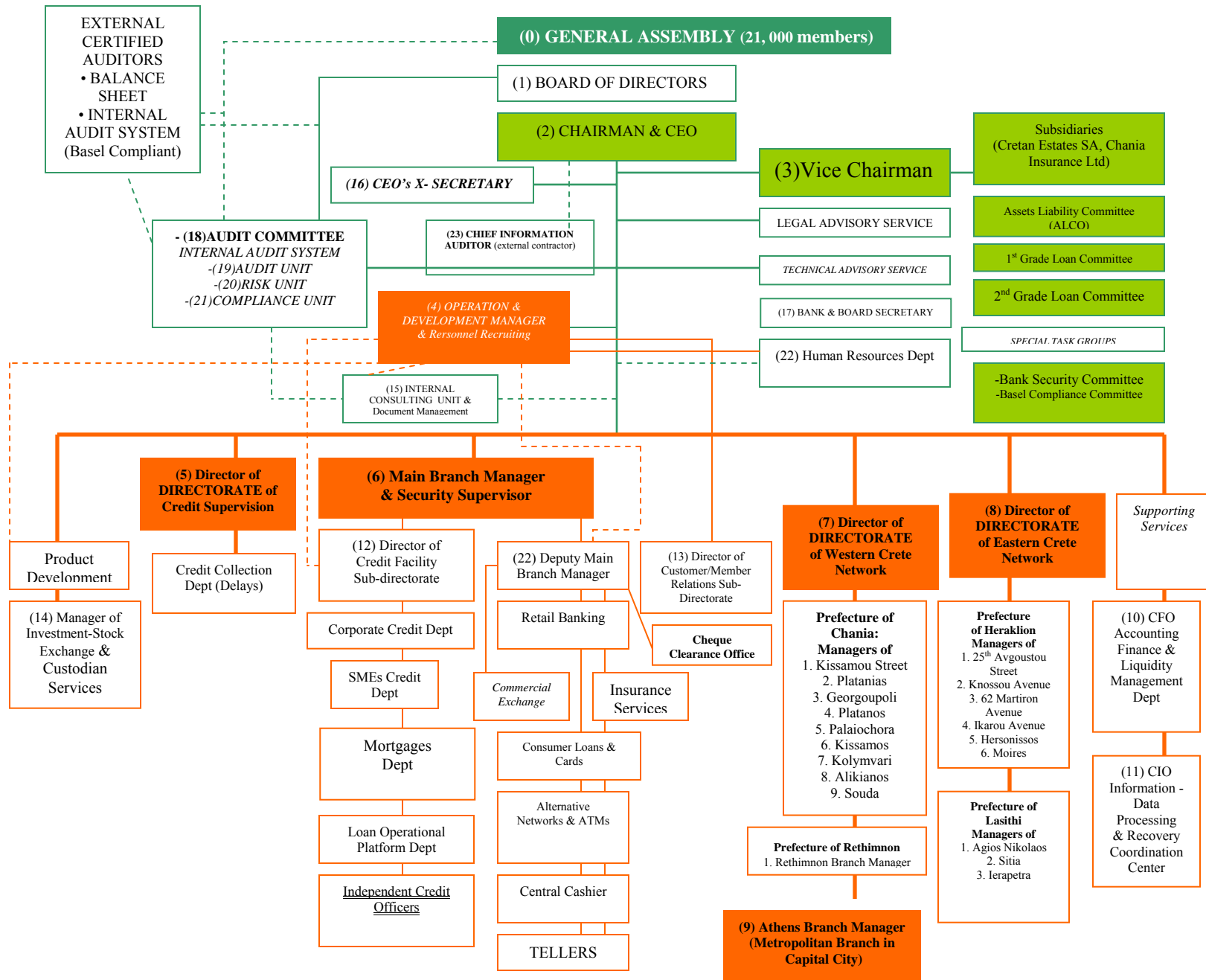
The island of Crete consists of four prefectures and is the base of the two largest cooperative banks in Greece with a cumulative network of 84 branches all over the island. The capital of Crete is Heraklion, the base and headquarters of Pancretan Bank and another historical main city is Chania, as was the residence of three elected Prime Ministers (in the past 70 years), the base of several public and military authorities and the birthplace of Bank of Chania. So, Bank of Chania is keeping an orientation to the Western part of the island and expanding to the east when Pancretan Bank is more oriented to the Eastern part of the island and expanding to the west. In fact that is the foundation of their competition, as both banks cooperate in the executive

committee of the Association of Greek Cooperative Banks and their CEOs are the key figures to lead the collective interest of the other fourteen cooperative banks.

CBC is a bank founded with humility by the people and governed by them and their directly elected executives; operates for their greater good as a whole, consisting of pre-existing ties of homophily²⁰ that transmute to homopolar bonds among members of the community of Chania. Three are the primary attributes of social entrepreneurship that boost stability and growth for CBC: (1) deep knowledge of local environment, people, and their relations (2) hands-on engagement with the economic and social life for employees and customers; and (3) referral trust and solidarity, crucial for self-employed individuals and small-medium size enterprises living in Crete. At a community level as living in affinitive local societies, members of CBC transform their cultural values to ethical – originally meaning *daily-expected* – traits when they decide to register, pay the ticket-share and start doing business²¹. This is an Aristotelian ideal that “*we are what we repeatedly do*”; ethos is a way of life diffused through the cooperative network fabric. The core value of Greek “*philotimo*” safeguards integrity and performance in Cretan society, as an enthymeme of a social added-value. Greekness as identity²², manifested in Crete with *philotimo*, enriches transactional ethos with a social dimension that makes CBC ethical and a benefit dimension that makes it sustainable.

Bank of Chania operates²³ using the organization chart shown in Figure 4 (Marakakis et al, 2007). A representation of an almost 2-layer chart undermines managerial functions but underlines the need for “islands” of power that report to their own *philotimo*. In the case of credit unions statutory chart has clear-cut levels (Melvin et al, 1981; p.15).

Figure 4: Organization Chart 2006, Adjusted in English



The application of social network analysis using UCINET²⁴ representation and principles described in Scott (2007) generates two characteristic diagrams:

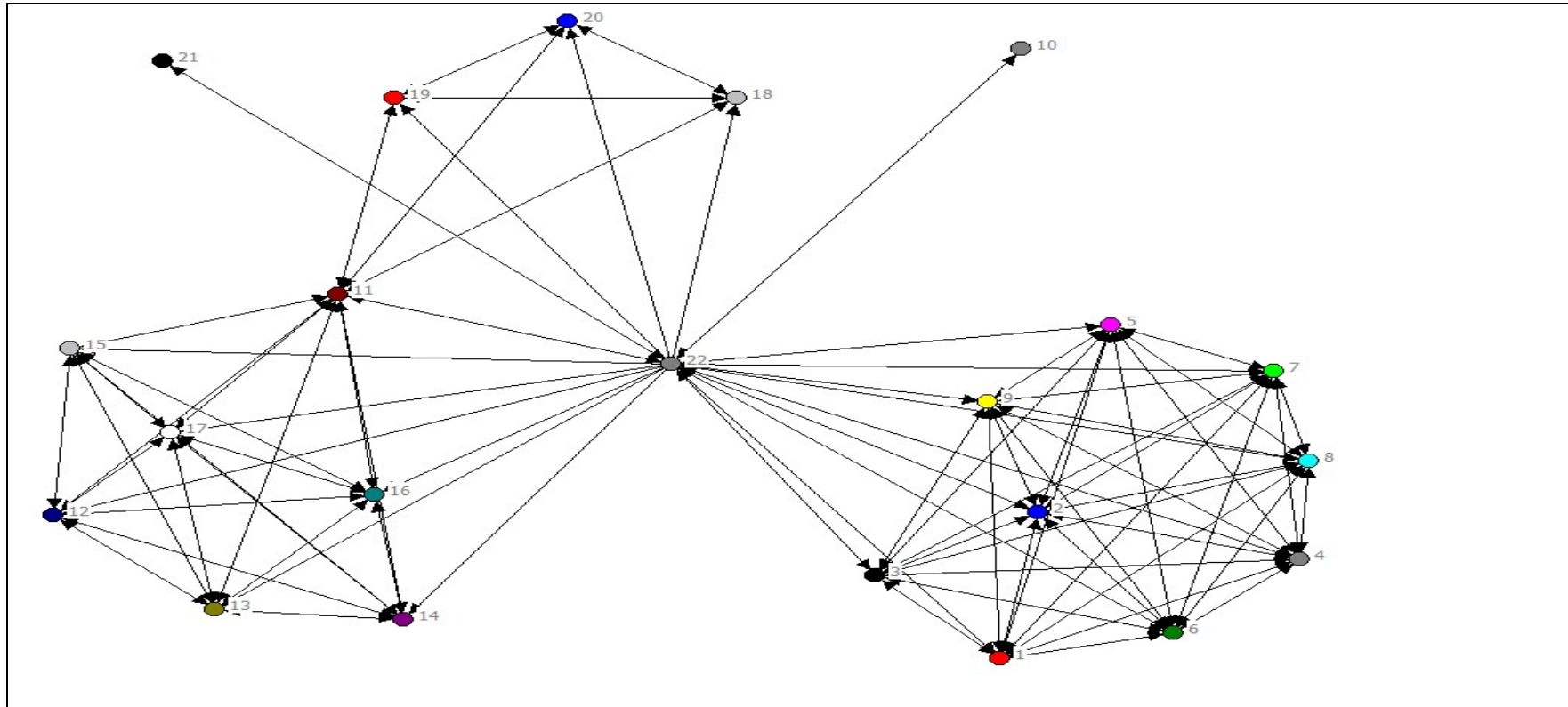


Figure 5: Dependency Matrix

Geographical distribution denotes centralization. Members of CBC value the feeling of belonging to become stable and work without taking significant risks. Their philotimo is exercised with safety. In the case of credit unions most branches would be like No 10 and 21. The network of branches consists of three main neighborhoods (Chania, Heraklion and Lasithi) when the Main branch in Bank Headquarters and is the central branch per se. Branch No11 is operating with the role of semi-central for Heraklion and Lasithi

prefectures. Reflective ties denote the intra-branch network (users are smoothly interconnected with in the branch) that is important but are being left out to make a clear view of the whole network interaction. Branch No 10 is the only one operating in Rethimnon and No 21 is the sole branch outside the island of Crete in Athens (Greece’s capital city).

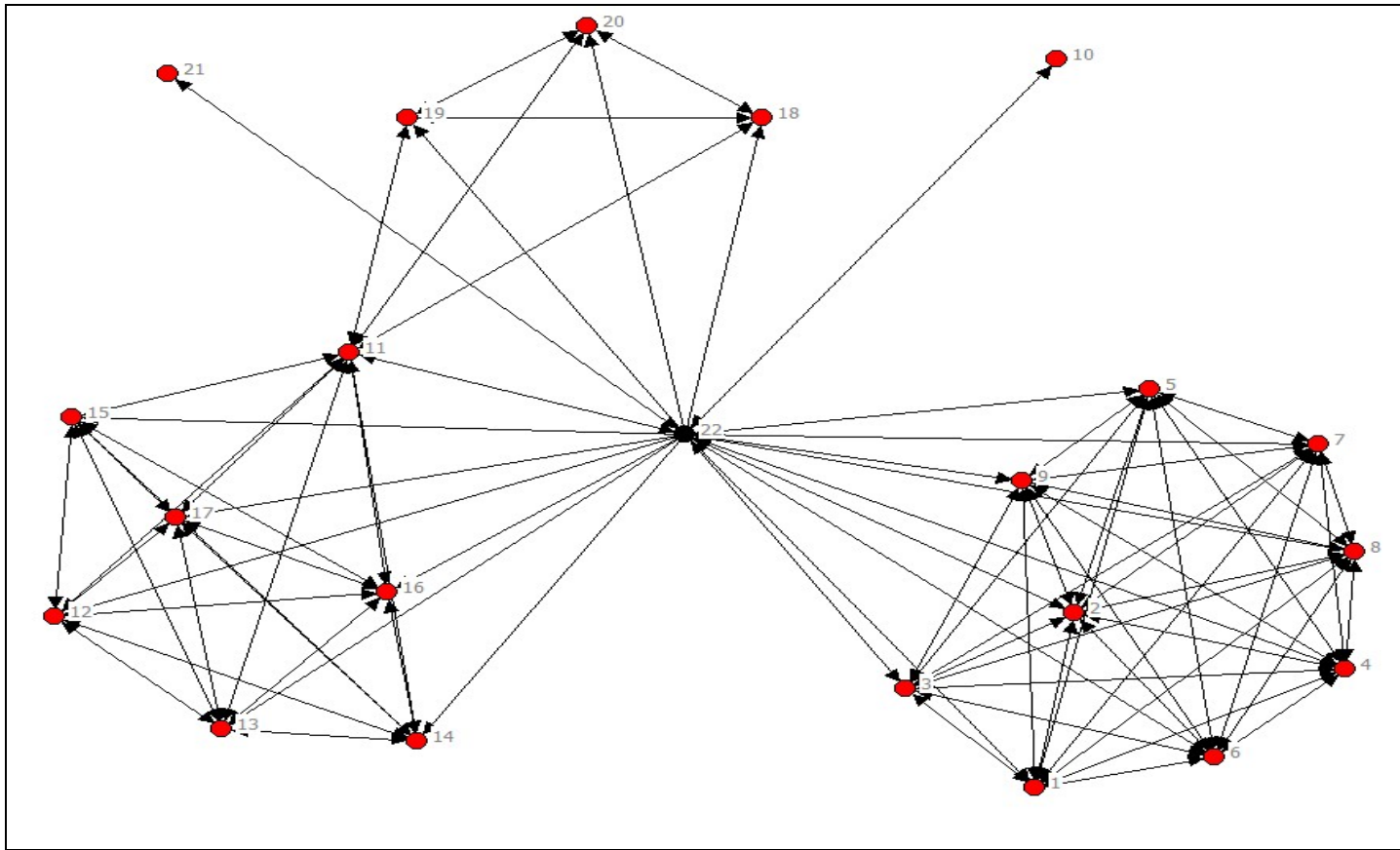


Figure 6: The ego network of Branch 22

Branch No 22 is the Main Branch and Bank Headquarters. The main branch is the only branch with direct managerial connection (all directors and supervisors of the central branch have the managerial privilege of “asking for report”, of reference for information and documentation, of cooperation with the branch manager and for acquiring information on transactions and auditing trail. No other individual branch has the authority of direct communication of any other beyond its own geographical scope (mainly prefecture). In Figure 7, Branch 10 is important as the “face” of the bank in the prefecture of Rethimnon and the main channel for transactions in correspondence with the banking network in Rethimnon which consists of 13 different banks with 30 branches in total.

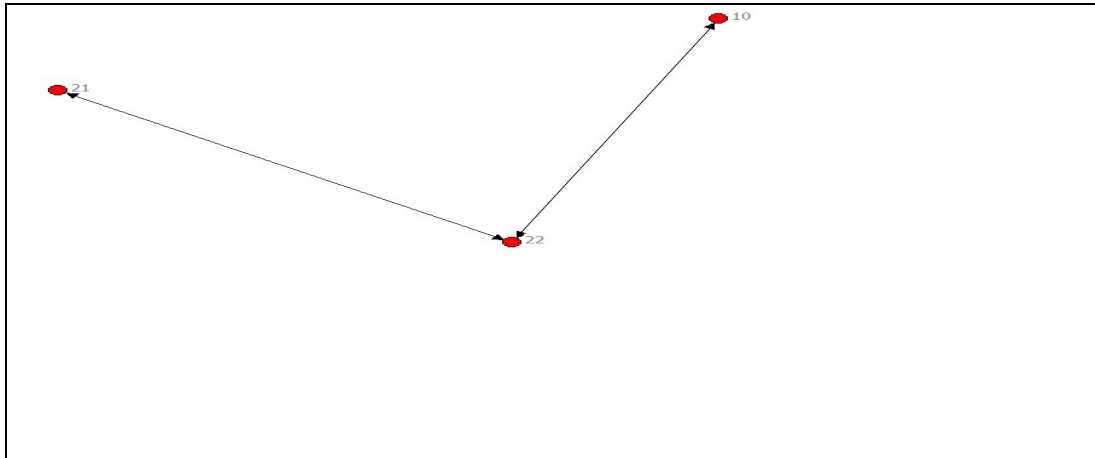


Figure 7: The ego network of Branches 10 and 21

CBC uses “DIAS” as the external “gate-keeper”, as for all banks in Greece (it is an inter-bank organization that provides baking interconnection for all data transactions –ATM, bill paying, cheque clearing, money transfer etc-located in country’s capital Athens). In this sense, Athens Branch (No 21) although isolated is the bridge of CBC with the entire commercial banking network. Also, it serves as a governing branch for institutional relations with the Central Bank of Greece, the Association of Greek Cooperative Banks, Panellinia Bank that coordinates specialized services for cooperative banks and DZ Bank the German partner of the Greek Cooperative Network. On the other hand, Athens branch is monitoring bank competition in Greece’s capital and services transitory transactions as virtually “every (economically active) Greek visits Athens (at least) once a year”, and Athens is the resident town of all public authorities and “ex-regional” Cretans.

Concluding Remarks/ Further Research

The Greek Commercial Banking System is generally considered as social responsible in the past decade (Arapoglou in HBA report, 2008; p. 51). Competition and complementary character of cooperative banks seems to play a decisive role in a bottom-up approach of enriching banking operation with ethical principles. In several cases Greek customers ask for philotimo that supersedes guarantees, tangible collateral, and contractual agreements. IPA is extending its effect in dealing with “coop” partners in Thomas (1997) simple philosophy: *“an important key to business success – and business longevity – is to deliver value to all our partners in a balanced fashion over time. ‘Balanced over time’ because we don’t expect each partner to gain equal benefit from each decision we make – in delivering value to one partner we may, at times, work against the interests of another.”* Further research is needed for a detailed representation of formal hierarchical ties that exist in Bank’s organization chart and a comparison with all the overlapping lines of connection. Additional analysis of the dimensions of philotimo and their compatibility with cooperative principles may reveal structural connections that connect social relationships with doing cooperative business. Other network related questions in the intersection of managerial attributes with philotimo traits are: *“who you choose to share important information”, “who you communicate with to get the job done”, “whose secretary is critical for ‘important matters”, “who is the most likable and who the most non-approachable and who the most redundant director”, “who is the non executive that you ask the most”, “who is the executive most likely to be elected in your preference”* etc. These questions are important for an intra-level examination but can also be generalized to study the game of influence and power and managerial efficiency in the specific bank of in the sector. In the end people have to decide whether they attribute “homophily” in their bank or they feel a mirror image retrospective to their own characteristics and personality. They have the right to choose as banking competition is unrestricted (in Greece) but when they choose they have to interpret their understanding in the following value component: *“utility value, affirmation value, ego-support value, stimulation value and security value”*. The network setting is responsible of holding local communities tight together, when the concepts of “value”, “success”, and “philotimo” are among criteria of action for individuals. Thus, a complete social network approach has to determine what *members* think of their co-operative, how do *they* value its performance and in which ways *they* understand that

it meets *their* needs. In the end, such an approach has to assess how *central* a cooperative bank is in *their* strategic approach for self-sufficiency and sustainability in local communities. In the case of Greece it is important to move aside several historical incidents in the Greek rural context, due to which cooperation was reshaped as a web of social values, several times in the first three-quarters of the 20th century. Also, a comparative review of the parameters of trust – with personality constraints, cultural expectations, learned attitudes, and decision mechanisms - and philotimo as an interaction factor that may lead to the probability that “A *will connect with B*” could reveal intersections and overlaps useful to analyze the cooperative phenomenon.

Main elements of foreign mindset, economic and business- political and legal aspects are used to support this analysis. Also, basic communication theory components (like communication routes, modernization, and modern-traditional dichotomy) seem applicable to give ground to this analysis. In a broader sense, transactional ethos that is based on contractual agreements, commitments and reservations is contrasted with local cooperatives, where the “know your customer” principle that lies in the essence of the banking sector is grounded in personal social ties and not impersonal statistics. Thus, cooperatives represent a distinct modern type of business with customers that are members-patrons pouring philotimo in an age of turbulence. Back to basics seem to prevail as a constructive approach. In Greek cooperative banks, “doing business” is another face of the social networking coin; social bonds and ties supersede commodified transactions.

CBC encapsulates a back to basics approach that dictates the motto “*teach your company to feel small again* (as when it started)”; a notion that gains acceptance from the community and inspires personnel. That is what makes people pay attention to detail, work around the clock, stay involved when they are not in office, and put an effort that is worthwhile for their community. In the past month there is a tendency from several banks to return to their “economization”²⁵ that fueled the crisis. Frugality is an attribute of self-sufficiency especially when people are connected with homopolar bonds of responsible sourcing and distribution of funds. In CBC doing business is another facet of the social networking coin; a Main Street bank that gives customers a word in how their money is managed – most importantly, by encouraging their input into the ongoing development of bank’s ethical policy. If man is an economic animal in Aristotle then he becomes connected and networked in CBC.

Endnotes

- 1 In the case of social economy, cooperative members and their social ties can be considered as nodes of a network that supports cooperative business as a spreading phenomenon. Fowler and Christakis (2008) explain such spreading in emotional states.
- 2 Michael Herzfeld (1985), *Poetics of Manhood*, Princeton University Press. Also see, Hofstede G. & Hofstede G. J. (2005), *Culture and Organizations (Software of the Mind)*, McGraw-Hill, New York.
- 3 Data extracted from statistical bulletins (2008-2009) from Central Bank of Greece, Association of Cooperative Banks, and NBG.
- 4 National Bank of Greece (NBG) is a leading commercial banking group in South-eastern Europe and the dominant group in Greece. NBG was selected in "The Global Dow" a 150-stock index of the most innovative, vibrant and influential corporations from - around the world at <http://www.djindexes.com/globaldow/> (accessed September 2009). Only leading blue-chip stocks are included in the index. Its components, like those of "The Dow", are selected by editors of Dow Jones.
- 5 As documented in the Nobel Foundation site at http://nobelprize.org/nobel_prizes/economics/laureates/2009/ (accessed on October 2009)
- 6 The Association of Cooperative Banks of Greece (ESTE) reports 181 branches for the group of cooperative banks, in the first half of 2009 (available at <http://www.este.gr/en/index.html>, accessed on October 2009)
- 7 Data extracted from ESTE Reports (2009) CBC Annual Reports (2004-2009).
- 8 John Psaropoulos explains the concept in his article "From Homer to coops" in *Business File Quarterly Review* No. 74, *Economia* (Dec 2009).
- 9 A full explanation is offered in George A. Petrochilos (2002), *Kalokagathia: The Ethical Basis of Hellenic Political Economy and Its Influence from Plato to Ruskin and Sen*, *History of Political Economy*, Vol 34, No 3, Duke University Press.
- 10 Proverbs are retrieved from <http://greekquotations.googlepages.com/proverbs> and Mantinades from <http://www.inout.gr/showthread.php?p=142662>, <http://www.mantinades.gr/?id=10&action=mantinades>. All are anonymous folk elements of spoken language.
- 11 Christopher Xenopoulos Janus at <http://www.helleniccomserve.com/philotimo.html>, accessed on May 2009.
- 12 A description offered in <http://www.freeonlineresearchpapers.com/importance-national-identity-social-relations>
- 13 ICA principles are described in <http://www.ica.coop/coop/principles.html> (accessed on May 2009).
- 14 Lord Thomas of Macclesfield was the Managing Director of The Cooperative Bank (of Manchester in England) until 1997.
- 15 A more flexible legal framework was introduced with the Law 3601/2007, following which non-members are accepted as clients under a special license agreement granted by the Central Bank of Greece.
- 16 Described in their publications at <http://www.bis.org/publ/cmtpubl.htm> (accessed on March 2009).
- 17 Central Bank of Greece oversees the cooperative network with the same legal terms as the commercial sector. Legislation provisions for open capital, non-public traded banks is described in Laws: 1667/1986, 3483/2006, 3601/2007, and 3606/2007. Also, the Central Bank of Greece in its capacity of the European Central Bank branch has the authority to publish regulatory acts like Governor's Acts 2258/2.11.93, 2413/9.7.97, 2420, 12.9.97, 2471/10.4.01, 2587/2007, 2588/2007, 2589/2007, 2590/2007, 2591/2007, 2592/2007, 2593/2007, 2594/2007, 2595/2007, 2596/2007, 2577/2006, 2595/2007, and 2597/200 that ratify the supervisory standards of Basel II Accord in the Greek legal framework.
- 18 It is a definition of gain as defined by "The Ohio Cooperative Development Center" at <http://ocdc.osu.edu/> (accessed on March 2008).
- 19 The Association of Cooperative Banks of Greece (ESTE) reports 181 branches for the group of cooperative banks, in the first half of 2009 (available at <http://www.este.gr/en/index.html>, accessed on October 2009)
- 20 McPherson, Smith-Lovin and Cook (2001). *Birds of a Feather: Homophily in Social Networks*, *Annual Review of Sociology*, pp. 415-444. Also see Kaduchin at <http://home.earthlink.net/~ckadushin/> (accessed on October 2009). The term homopolar is taken from chemistry contrasted to ionic to denote mutually contributed electrons in a covalent bond.
- 21 Geert Hofstede provides a well-documented analysis of cultural aspects in business in several publications and in his site at <http://www.geert-hofstede.com/> (accessed on October 2009).
- 22 Managerial and behavioral aspects of philotimo are explained in: Bourantas D. and Papadakis V. (1996), *Greek Management*, *International Studies of Management and Organization*, Vol. 26, Issue 3, pp: 13-32. Skiftou V. (2005), *Within Social and Cultural Practices of Greek Society Subjects Negotiate a Series of Issues that are Related to Family and the Complexities of It*, LSE Doctoral Conference. Vassiliou V. G. & Vassiliou G. (1973), *The Implicative Meaning of the Greek Concept of Philotimo*, *Journal of Cross-Cultural Psychology*, Vol 4, No 3.

23 Since 2008 a new organizational chart is in progress with the establishment of 6 directorates that report to the CEO. Also, more branches have been added to the network. In the current analysis data correspond to the organizational structure of 2007.

24 UCINET software by Hanneman & Riddle (2003) is one of the standard tools used by The International Network of Social Network Analysis.

25 As G. Provopoulos, Governor of the Bank of Greece, commented on <http://www.enet.gr/?i=news.el.oikonomia&id=97433>. Also see Paul Krugman, *The Banks Are Not All Right*, NY Times op-ed, October 18, 2009 at <http://www.nytimes.com/2009/10/19/opinion/19krugman.html> (both accessed on October 2009).

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