

***Review of the  
Hellenic Observatory of Corporate Governance  
(HOCG)***

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**Editorial**

The current issue deals with the developments that occur in the Greek Hospitals throughout the period 2009-2011. The effort compliments our previous **Review** published in 2010 (Review of the HOCG, 2010, Vol. 4, No. 4, pp. 11-20).

This is a rather unique effort that attempts to analyze and provide data on the majority of public owned hospitals in Greece being conducted by the Hellenic Observatory of Corporate Governance since 2009. As a result of this work some interesting findings emerge that allow us to study boards of directors in healthcare organizations. By examining the corporate governance practices, and in particular the board of directors and its characteristics, this review could be useful into adapting to new realities.

With the economic crisis having cut health care staffing levels and hurt standards of care the Greek hospitals are in such dire straits that are failing to keep up even with basic requirements. Board expertise, board decision making, boards dealing with risk management, autonomy, accountability and transparency are issues that need to be dealt with. The Greek Health Care system is characterized by lack of planning and incompetent managerial capability. These are some of the reasons why the study of boards of directors in healthcare organizations is a necessity, as their performance is related to hospital effectiveness.

By all means health is the most important element of life and health care is undoubtedly a public good. Consequently, I hope that the current study will contribute to the ongoing discussion and challenge decisions of policy makers.

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# Boards and Directors of the Greek Hospitals

## 1. Introduction

According to World Health Organization (WHO) “promoting and protecting health is essential to human welfare and sustained economic and social development” (WHO, 2010a, p. ix). "This interface between health, well-being and economic development has been propelled up the political agenda of all countries. Increasingly, communities, employers and industries are expecting and demanding strong coordinated government action to tackle the determinants of health and well-being and avoid duplication and fragmentation of actions" (WHO, 2010b, p. 2).

Today, the demand for healthcare is growing rapidly, powered by the increasing patient expectations, population ageing and new technologies. This increasing demand though, exerts a pressure against resource constraints. Improving the performance of healthcare systems is essential so as to moderate health spending and correct any shortage in quality of care (OECD, 2007). Moreover, "in order to become sustainable in the long term, our health care systems need to address significant challenges, including: growing complexity and inefficient management, fragmented care delivery, major deficits of public health insurance schemes as well as, in some cases, fraud and abuse" (BIAC, 2010,p.1).

Recently, attention has been given to the role of governance in improving the performance of the health systems (WHO, 2007). "Governance in health is increasingly regarded as a salient theme on the development agenda. The increased interest in governance has been driven by the need for greater accountability, arising from both increasing funding and a growing demand to demonstrate results" (WHO, 2008, p.2).

Furthermore, due to numerous bankruptcies of healthcare organizations, the healthcare governing boards have captured public attention (Hayden, 2006). The bankruptcy of the Allegheny Health, Education and Research Foundation in Pennsylvania is an interesting example, where the board failed to avoid one of the most serious failures in the healthcare sector (Burns et al., 2000). Such examples reveal the importance to study boards of directors in healthcare organizations as their performance is related to organizational effectiveness. Therefore, the Hellenic Observatory of Corporate Governance has attempted to capture the serious issues that Greek hospitals face by examining the corporate governance practices, and in particular the board of directors and its characteristics.

## **2. The Greek Healthcare System**

"While Greek health outcomes compare favourably with the OECD average, the state of the public health care system sparks dissatisfaction amongst the population" (OECD, 2009, p.13). The system is characterized by high degree of centralization, lack of planning, and inadequate managerial capability. Besides, the oversupply of physicians, the lack of a referral system and the illogical pricing and reimbursement mechanisms leads to informal payments and in a black economy which impedes the effectiveness of the system (Economou, 2010).

"Total health spending accounted for 10.2 % of GDP in Greece in 2010, above the average of 9.5% in OECD countries, but down from 10.6% in 2009" (OECD, 2012, p.1). The data also indicate that "in Greece, 59.4% of health spending was funded by public sources in 2010, which is much lower than the OECD average of 72.2% in 2010". Moreover, Greece has "more physicians per capita than in any other OECD country" (OECD, 2012, p. 2). In other words, "the number of doctors per capita increased rapidly in Greece and now stands at 6.1 practicing physicians per 1000 population in 2010 " whereas the OECD's average is 3.1.

It is also worth mentioning that until 2001 reforms, board of directors in the Greek hospitals were "appointed on the basis of political criteria" (Economou and Giorno, 2009, p.27). That is crucial because bad management may undermine hospital's performance and restrain their development.

The above indicate that Greek healthcare system faces serious problems despite the changes that have taken place through the years. For that reason it is crucial that all the aspects of the system to be examined and in an endeavour to assist in such an attempt we present this study which is concentrated on the examination of one aspect of the system, the board of director's structures of the Greek hospitals.

## **2.1 Current reforms of the Greek healthcare system**

Since the beginning of the economic crisis in Greece many reforms have taken place in the healthcare sector that started in 2010 and were aiming at enhancing the effectiveness of the Greek hospitals, thus fulfilling one of the IMF's (International Monetary Fund) loan conditions, which postulated that the public health expenditures should at or below 6% of the GDP (IMF, 2011). The reforms according to the Ministry of Finance of the Hellenic Republic (2012) include: the procurement for pharmaceuticals that will be planned at regional level through the development of Regional Programs for Goods and Services, a new system for the management and pricing of pharmaceuticals, the implementation of negative and positive lists of medicines, a single fund for the provision of social insurance and healthcare (EOPYY) coming from the merge of the four major health insurance funds and a price list for medicines. Furthermore, other reforms refer to the introduction of double-entry accrual accounting in hospitals, the precise actions regarding the rationalization of wages and human resource management in the health care sector and finally the collection of a detailed report for the medium-term prospects and challenges of the Greek healthcare sector.

These reforms are intended to improve the weaknesses of the Greek healthcare system and enhance its effectiveness. However, "for many years the health system in Greece has been in a state of continuous crisis" (Tsountas, Karnaki and Pavi, 2002, p.15). Therefore, several reforms have been undertaken the last 30 years in an attempt to enhance the efficiency and modernize the Greek healthcare system (Tsountas, Karnaki and Pavi, 2002).

## **2.2 The Legislative Background of the Greek Healthcare System**

The Greek NHS was established through a number of laws. The first of which was the Law 1397/1983 that established the NHS and Regional Health Councils (PE.S.Y.) in each health region (Y.PE). The distinction among nine health regions was made by the Presidential Decree 31/1986, while under the provisions of the Law 1622/1986. Subsequently, the Presidential Decree 51/1987 separated the country in 13 Administrative health regions. Moreover, in 1992, the Law 2071/1992 Regional Directorates of Health Services were established in each health region so as to enhance further the efficiency of the NHS.

In 2001, the Law 2889/2001 was implemented which was aiming at the decentralization of the health care system and in the provision of high level of health services for the citizens through the establishment of Regional Health Systems (Pe.S.Y.). As a result the country was divided into 17 health regions. In 2003 the Law 3106/2003 renamed and restructured the Regional Health Systems (Pe.S.Y.) in Regional Health and Welfare Systems (Pe.S.Y.P.). This was an endeavour to decentralize the NHS into independent healthcare units that would be more effectual and would lead to the improvement of the provision of the health services provided to the public.

Moreover, in 2005 under the provisions of Law (3329/2005) the Regional Health and Welfare Systems (Pe.S.Y.P.) renamed to D.Y.PE. (Health Administrative Regions). Finally, in 2007 the Law (3527/2007) separated the country in 7 areas establishing 7

health regions (Y.PE.) and accordingly, 7 D.Y.PE. These health regions are the following: 1) Attica, 2) Piraeus and Aegean, 3) Central Macedonia, 4), Macedonia and Thrace, 5) Thessaly and Central Greece, 6) Peloponnese, Ionian, Epirus and West Greece and 7) Crete.

Additionally, under the provisions of the law 3329/2005, D.Y.PE., is responsible for planning, organizing, supervising and monitoring the function of all health services providers and social solidarity (F.P.Y.Y.K.A.). D.Y.PE. also is accountable for the suggestion of proposals in the Ministry of Health and Social Solidarity that are aiming at enhancing the performance of the healthcare system. Last but not least, D.Y.PE., is responsible for the monitoring of the implementation of the policies from the administrations of F.P.Y.Y.K.A., as they are being determined from the Ministry of Health and Social Solidarity.

### **2.3 The Greek Hospital and Governance Issues**

Hospitals under the provisions of the Law 2889/2001 used to be decentralized units under the control of Pe.S.Y.P.; but the provisions of the Law 3329/2005 reformed them to public entities (N.P.D.D.) which are controlled by the Governor of the corresponding D.Y.PE. Hospitals are classified into two categories:

- A) General hospitals: that can handle all kinds of medical cases and offer treatment to patients.
- B) Expert hospitals: specialized hospitals which offer treatment to patients with cases that the hospital specializes in.

According to the Law 3329/2005 article 7, paragraph 4, the governing body of a hospital consists of the board of directors and the Governor, while board size is being determined by the hospital's bed capacity.

Therefore, hospitals with capacity of 400 or more beds require having 9 members on their boards whereas hospitals with capacity of up to 399 beds require having 7 members on their boards.

The board consists of the Governor who is also the Chairman of the board, the Vice Chairman, the Alternative Governor (only for hospitals with no more than 400 beds), the director of nursing services, a representative of medical staff, and a representative of non medical staff whereas depending on the hospital's capacity, boards may have two to three extra members. It is important to mention that because the Governor is also the Chairman of the board; the Vice Chairman replaces the Governor in the Chairman tasks while the Alternate Governor replaces the Governor in the Governor tasks.

According to this law board members are appointed by the Ministry of Health and Social Solidarity. It is also interesting to point out that for every member that is appointed in the board there is an alternate member appointed as well. Therefore for every board there is a substitute board.<sup>1</sup>

Furthermore, the Governor is responsible for developing the business plan, the organization, operation, supervision and coordination of the hospital etc. Besides, meetings are organized twice a month and the Governor can call for additional immediate meetings.

The tenure of the board members is two years and can be renewed by the Ministry of Health and Social Solidarity. Besides, all board members are part-time members except for the Chairman and the Alternate Governor who are full time members.

The remuneration of the Governors and Alternate Governors is determined by Law 1642/2005. According to that law Governors in hospitals with capacity more than 400 bed receive €5.195 per month, while Governors in hospitals with capacity from 200-

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<sup>1</sup> **Note:** The data of the alternate board members is not presented in the study.

299 beds receive €4.4.02 per month and those whose hospital capacity is up to 199 beds receive €3.669 per month. Alternate Governors remuneration is €3.669 per month. Additionally, the remuneration of the board members is determined by the Law 1576 /2005 according to which the rest of the board members are compensated on the basis of the number of meetings that they attend per month. More specifically, the Vice Chairman receives €175 per meeting not to exceed €700 a month while the rest of the board member's remuneration is €50 per meeting not to exceed €200 a month.

In 2010 a new law (Law 3868/2010) was released which planned to improve the function and the management of the Greek hospitals. This law reform the article 7 paragraph 4 of the Law 3329/2005 indicating that the board of directors should compromise of seven members in hospitals with capacity of 400 or more beds and five members in hospitals with capacity up to 399 beds.

The board consists of the Governor who is also the Chairman of the board, the Vice Chairman, an Alternate Governor who is the also the Vice President of the board (in hospitals with more than 400 beds), a representative of medical staff, a representative of non medical staff and depending on the hospital's faculty boards may have one to two extra members.

As in the previous law, board members according to (Law 3868/2010) are appointed by the Ministry of Health and Social Solidarity and for every member that is appointed in the board there is an alternate member appointed as well.

In addition to, the tenure of board members is two years and can be renewed by the Ministry of Health and Social Solidarity. The board also can continue to exercise its duties (after the two years) until the appointment of the new board; however this period of extended tenure of the board cannot be longer than three months.

Moreover, concerning the remuneration of board members, in 2010 the Law 40/2010 was introduced. The main aim of this law was to help the Greek economy to deal with the financial crisis and was announcing among others, the reduction of the remuneration of all board members.

Furthermore, in 2011 a new law (Law 1681/2011) was enacted which indicated that hospitals in Greece will become interconnected. More specifically, starting from the end of this year the hospitals are becoming interconnected, which means that one board, is appointed to govern two or more hospital. This law main aim was to reduce the expenditures and enhance the management of Greek hospitals.

### **3. Methodology**

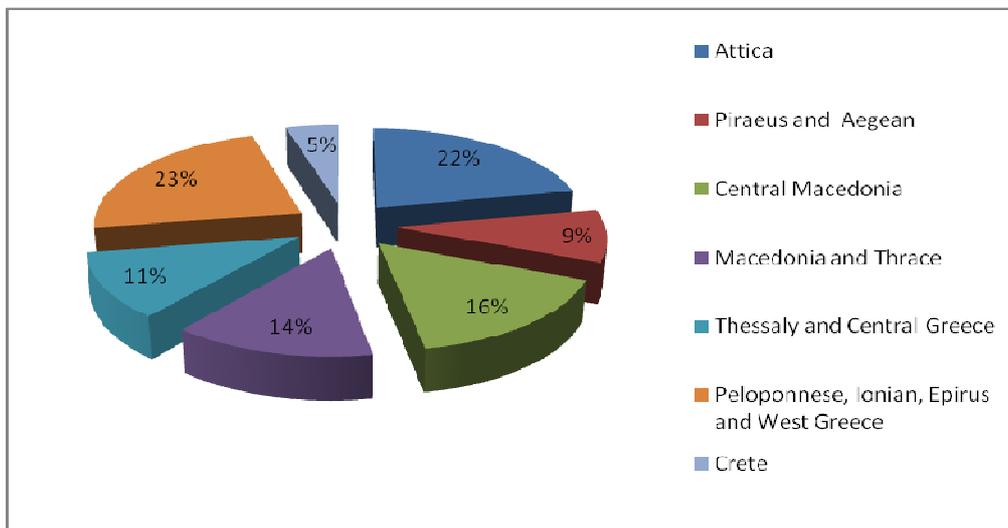
#### **3.1 Sample**

The study focuses on the board characteristics of 87 out of the 128 existing public hospitals in Greece for the period 2009-2011. Data was collected from, the YODD issue of the Government Gazette, published in the National Printing House ([www.et.gr](http://www.et.gr)) for the years 2009-2011. The data collection process took place during the third quarter of 2011. The research efforts builds upon and compliments the findings that have been published in an earlier report conducted by HOCG for the Greek hospitals covering the period 2005-2008 (HOCG, 2010, Vol. 4, No 4.).

**Table 1** shows the hospitals that were used in the study while **Diagram 1** presents their spread based on their geographical location which is in accordance with the 7 health regions (Y.PE) throughout Greece.

As **Diagram 1** presents, the majority of the hospitals are located in the regions of Peloponnese, Ionia, Epirus and West Greece (20 or 23%) and Attica (19 or 22%). Moreover, 14 (16%) hospitals are situated in Central Macedonia, 12 (14%) have their base in Macedonia and Thrace and 10 (11%) are located in Thessaly and Central

Greece. Last there are 8 (9%) hospitals situated in Piraeus and Aegean and 4 (5%) hospitals in Crete.



**Diagram 1: Geographical Distribution of Greek Hospitals**

### 3.2 Variables analysed

This study focuses on the examination of the following variables:

**Total Board Memberships:** was identified by the number of all directorships through the years.

**Total Board Members:** was identified by the number of all the directors through the years excluding any mobility and/or cross directorships from the total board memberships.

**Total Female Board Members:** was identified by the number of women that served a board throughout the years. The precise number of women was identified by examining their names and surnames. Also, the study captured the **total female board members** through the years without including any mobility or cross directorships.

## GREEK PUBLIC HOSPITALS

MESOLOGGIOY HATZIKOSTA	AGRINIOY	NAFPLIOY	ARGOYS	PANARKADIKO TRIPOLIS	H PAMMAKARISTOS	PEIRAIATZANEIO	DITIKIS ATTIKIS	MAIEUTIRIO ATH. ELENAS VENIZELOY	OFTHALMIATREIO ATHINON
ARTAS	EVAGGELISMOS	PAIDON AG. SOFIA	LAIKO	IPPOKRATEIO	PATRON AG. ANDREAS	AIGIOY	LIVADEIAS	THIVON	GREBENON
ALEXANDRA	POLIKLINIKI	PATISION	NOSIMATON THORAKOS SOTIRIA	ATTIKIS KAT	DRAMAS	RODOY AN. PAPANDREOY	DIDIMOTEICHOY	CHALKIDAS	KARPENISIOY
G. GENNIMATAS	MELISSION	ATTIKIS SISMANOGLEIO	OGKOLOGIKO KIFISIAS	PAIDON PENTELIS	ZAKINTHOY AG DIONISIOS	PIRGOY AN. PAPANDREOY	AMALIADAS	VEROIAS	NAOYSAS
HERAKLEIOY BENIZELEIO	THESSALONIKIS G PAPANIKOLAOY	THESSALONIKIS G. GENNIMATAS	THESSALONIKIS AG. DIMITRIOS	EIDIKON PATH. THESSALONIKIS	KAVALAS	KARDITSAS	KASTORIAS	KERKIRAS	MATZABINATEIO
THESSALONIKIS IPPOKRATEIO	ANTIKARKINIKO THESSALONIKIS THEAG	THESSALONIKIS AG. PAULOS	AFR.&DERM, NOSON THESSALONIKIS	IWANNINON XATZIKOSTA	KEFALLINEIAS	KILKIS	PTOLEMAIDAS MPODOSAKEIO	KORINTHOY	SYROY VARDAKEIO
XANTHIS	PREVEZAS	RETHIMNOY	SISMANOGLEIO KOMOTINIS	SAMOY AG. PANTELEIMONOS	SPARTIS Io.&AIKGRIGORIO	LARISSAS KOYTLIMPANEIO	AGIOY NIKOLAOY	MYTILINIS BOSTANEIO	GIANNITSON
SERRON	TRIKALON	LAMIAS	FLORINAS	AMFISSAS	EDESSAS	LEFKADOS	KATERINIS	AXILLOPOYLEIO BOLOY	KALAMATAS
HALKIDIKIS	AG GEORGIOS CHANION	MAMATSEIO KOZANIS	SKILITSEIO CHIOY	KOSTANTOPOYLEIO NEAS IONIAS	ELEFSINAS THRIASEIO	ASKLIPEIO VOYLAS			

**Table 1: Sampled Hospitals for the period 2009-2011**

**Total Male Board Members:** was identified by the number of males that served a board throughout the years. The precise number of men was identified by examining their names and surnames. Also, the study captured the **total male board members** through the years excluding any mobility or cross directorships.

**Occupation:** the occupation of board members was identified and categorized based on the International Labour Organization (ILO) through a system called 'International Standard Classification of Occupations (ISCO-08)'.

**Board Size:** was measured by identifying the precise number of serving directors of each hospital as of 31<sup>st</sup> December of each year.

**Average Board Size:** was measured by calculating the sum of each year's board size dividing it by the examined period.

**Average Tenure of the Board (in months):** was measured by calculating the sum of the serving period of all directors in months (including Governor, Vice Chairman and Alternate Governor) and dividing it by their total number for each hospital.

**Average Tenure of Governors, Vice Chairpersons and Alternate Governor:** were measured by calculating the sum of the serving period (in months) for the Governors, Vice Chairpersons and Alternate Governors of each hospital, divided by the total number of Governors, Vice Chairpersons and Alternate Governors that served in each of these hospitals.

**Average Tenure of Directors (in months):** was measured by calculating the sum of the serving period in months of all directors (excluding the Governors, Vice Chairpersons and Alternate Governors) and dividing it by their total number for each hospital.

**The number of Governor Positions, Vice Chairpersons and Alternate Governor Positions:** was calculated by counting the number of all positions for each of the above throughout the years.

**The gender of Governors, Vice Chairpersons and Alternate Governors:** was found by identifying and examining their full names.

**Cross Directorates:** The directors, who served in more than one boards, have been identified and recorded along with the corresponding hospitals.

## 4. Findings

### 4.1 Total board members and total board memberships

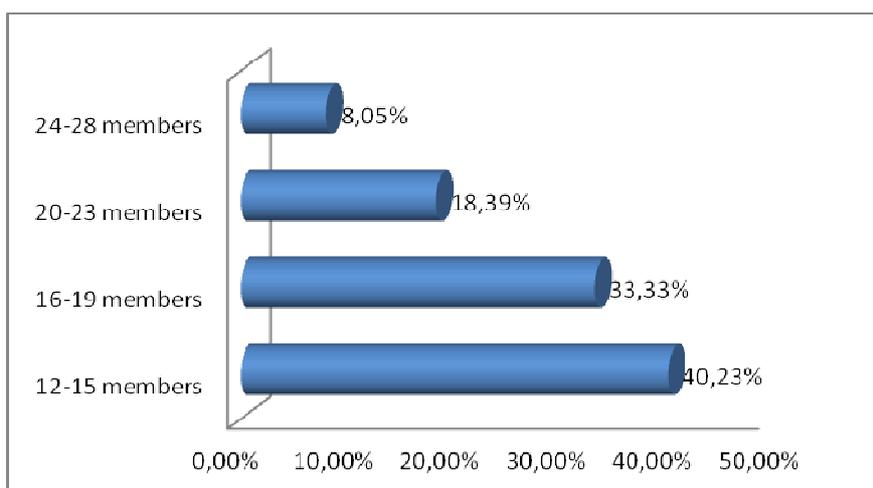
The total number of directorships<sup>2</sup> for the period 2009-2011 was 1522 while the total number of directors was 1419, if we exclude the cross directorates and mobility (directors who served in different boards throughout the years). On average, there were 17.49 directorships in each hospital for this period, with a standard deviation 3.95. The minimum number of directorships in each hospital was 12 and the maximum was 28.

**Diagram 2** shows the number of director positions in the sampled hospitals throughout the years. As it can be seen, the majority of the hospitals (35 or 40.23%) had from 12 to 15 directors serving in their boards throughout the years.

In 29 (33.33%) hospitals 16-19 directors have served in their boards, while in 16 (18.39%) hospitals boards employed 20 to 23 directors. It is worth mentioning that in 7 (8.05%) hospitals the boards employed from 24 up to 28 directors.

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<sup>2</sup> **Note:** It is essential to explain the terms "director" and "directorship". When we refer to a "director" we mean the individual who serves the board, while the term "directorship" refers to the position that is held by the director. In that sense, a director can hold two or more directorships.



**Diagram 2: Total board members serving in each hospital for the period 2009-2011 (n=87)**

#### 4.2 Total Female and Male Board Memberships

The female representation in boards, though limited in comparison to men, was not as scarce as it was found in the Greek listed companies, SOEs, maritime and football companies based on previous researches carried out by HOCG (2010 and 2011). Also, it was noticed that in comparison to the previous study of HOCG (2010) for the Greek hospitals that covered the period 2005-2008, the number of women directorships has increased from 337 to 449 during the period 2009-2011.

More specifically, in the examined period, out of 1522 directorships 449 (29.50%) were held by women with an average of 5.16 women per hospital and a standard deviation 2.29.

	Total Directorships	Male Directorships	Female Directorships
<b>Mean</b>	<b>17.49</b>	<b>12.33</b>	<b>5.16</b>
<b>STD. DEV.</b>	<b>3.95</b>	<b>3.23</b>	<b>2.29</b>
<b>MIN</b>	<b>12</b>	<b>7</b>	<b>1</b>
<b>MAX</b>	<b>28</b>	<b>22</b>	<b>12</b>
<b>SUM</b>	<b>1522</b>	<b>1073</b>	<b>449</b>

**Table 2: Total memberships, men and women directors who served in the Hospital Boards (n=87)**

Moreover, men comprised the majority in boards with 1073 (70.50%) out of 1522 directorships, with an average of 12.33 per hospital and a standard deviation 3.23. The following (**Table 2**) shows the descriptive statistics for the total directorships as well.

### 4.3 Occupation

**Table 3** shows the occupation<sup>3</sup> of the directors who served in the Greek hospitals during the period 2009-2011. The categorization was based on the International Labour Organization (ILO) through a system named 'International Standard Classification of Occupations (ISCO-08)'. The occupation of directors was matched within the main eight categories so the rest ("Service and sales workers" and "Plant machine operators and assemblers") were not included.

Data was found for the 1287 (if we exclude 132 directors whose occupation was not found) out of 1419 directors. More specifically, 899 (63.38%) of the directors were grouped as "Professionals" in which most of them (346 or 24.39%) belonged to the sub category of "Health Professionals" and the majority were doctors. Besides, 216 (15.23%) of the directors were categorized in the sub category of "Business and Administration Professionals", 133 (9.38%) were "Legal Professionals" while 130 (9.16 %) directors were incorporated in the sub category of "Science and Engineering Professionals". Also, 73 (5.15%) directors were categorized in the sub category of "Teaching professionals" and 1 (0.07%) in the "Information and communications technology professionals". These findings show that the percentage of directors that had science and engineering, academic, information and communication technology background was small.

Moreover, 40 (2.8%) directors were grouped in the major category of "Technicians and associate professionals" and 123 (8.67%) directors were categorized in the major

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<sup>3</sup> **Note:** In the variable of occupation we incorporate the educational background of some of the directors whose occupation was not mentioned.

group of "Clerical support workers". These professions are related with individuals that carry out technical tasks and several clerical duties.

Major	Sub Major Groups	Minor Groups	Frequency
1.Managers	11:Chief executives, senior officials and legislators	112: Managing directors and chief executives	2 or 0.14%
	12: Administrative and commercial managers	121: Business services and administration managers	15 or 1.06%
	13: Production and specialized services	134: Professional services managers	3 or 0.21%
	14: Hospitality, retail and other services managers	143: Other services managers	134 9.44%
2.Professionals	21: Science and engineering professionals	211: Physical and earth science professionals	24 or 1.69%
		212: Mathematicians, actuaries and statisticians	15 or 1.06%
		213: Life science professionals	8 or 0.56%
		214: Engineering professionals (excluding electro technology)	62 or 4.37%
		215: Electro technology engineers	15 or 1.06%
		216: Architects, planners, surveyors and designers	6 or 0.42%
	22: Health professionals	221: Medical doctors	275 or 19.38%
		222: Nursing and midwifery professionals	38 or 2.68%
		226: Other health professionals	33 or 2.33%
	23: Teaching professionals	231: University and higher education teachers	14 or 0.99%
		233: Secondary education teachers	1 or 0.07%
		234: Primary school and early childhood teachers	2 or 0.14%
		235: Other teaching professionals	56 or 3.95%
	24: Business and administration professionals	241: Finance professionals	143 or 10.08%
		242: Administration professionals	32 or 2.26%
		243: Sales, marketing and public relations professionals	41 or 2.89%
	25: Information and communications technology professionals	252 : Database and network professionals	1 or 0.07%
	26: Legal, social and cultural professionals	261: Legal professionals	98 or 6.91%
		263 : Social and religious professionals	22 or 1.55%
		264 : Authors, journalists and linguists	13 or 0.92%
3.Technicians and Associate Professionals	31: Science and engineering associate professionals	311: Physical and engineering science technicians	7 or 0.49%

	32: Health associate professionals	322 : Nursing and midwifery associate professionals	3 or 0.21%
		325 : Other health associate professionals	8 or 0.56%
	33: Business and administration associate professionals	333: Business services agents	1 or 0.07%
		335: Regulatory government associate professionals	8 or 0.56%
	34 : Legal, social, cultural and related associate professionals	341: Legal, social and religious associate professionals	10 or 0.70%
		342 : Sports and fitness workers	1 or 0.07%
343: Artistic, cultural and culinary associate professionals		1 or 0.07%	
35: Information and communications technicians	352: Telecommunications and broadcasting technicians	1 or 0.07%	
4.Clerical support workers	41: General and keyboard clerks	411: General office clerks	34 or 2.40%
		412: Secretaries (general)	2 or 0.14%
	42 :Customer services clerks	421: Tellers, money collectors and related clerks	31 or 2.18%
		422: Client information workers	1 or 0.07
	43: Numerical and material recording clerks	432: Material-recording and transport clerks	2 or 0.14%
	44: Other clerical support workers	441: Other clerical support workers	53 or 3.74%
5.Service and sales workers	-	-	
6. Skilled agricultural, forestry and fishery workers	62: Market-oriented skilled forestry, fishery and hunting workers	621: Forestry and related workers	1 or 0.07%
7. Craft and related trades workers	74: Electrical and electronic trades workers	742: Electronics and telecommunications installers and repairers	1 or 0.07%
8. Plant machine operators and	-	-	
9. Elementary Occupations	91: Cleaners and helpers	911: Domestic, hotel and office cleaners and helpers	1 or 0.07%
0.Armed forces occupations	01: Commissioned armed forces officers	011: Commissioned armed forces officers	9 or 0.63%
	03: Armed forces occupations, other ranks	031: Armed forces occupations, other ranks	1 or 0.07%
Pensioners: 58 or 4.09%			
N/A (132 or 9.30%)			
SUM			1287

**Table 3: Director's occupation**

Additionally, 154 (10.85 %) of the directors were categorized in the major group of "Managers", while 10 (0.7%) members were grouped in the "Armed forces

occupations". Also, 1 (0.07%) director was grouped in each of the following categories: "Skilled agricultural, forestry and fishery workers", "Craft and related trades workers", "Elementary occupations" respectively.

Finally, 58 (4.09%) of the directors were pensioners and data for the occupation of 132 (9.30%) directors was not available. It should be noted that the findings indicate that there is a diversity of occupations in the Greek hospitals which is considered significant for their overall effectiveness.

#### 4.4 Board Size

The average board size as of 31<sup>st</sup> of December of each year for the 87 hospitals slightly changed throughout the years. As it can be seen from the **Table 4** for the period 2009-2011, the board size ranged from 7.25 to 7.60 members.

	Board Size 2009 (31 <sup>st</sup> of December)	Board Size 2010 (31 <sup>st</sup> of December)	Board Size 2011 (31 <sup>st</sup> of December)
<b>MEAN</b>	7.57	7.60	7.25
<b>STD. DEV.</b>	1.01	1.01	1.01
<b>MIN</b>	6.00	6.00	5.00
<b>MAX</b>	10.00	10.00	10.00

**Table 4: Board size and descriptive statistics for the period 2009-2011 (N=87)**

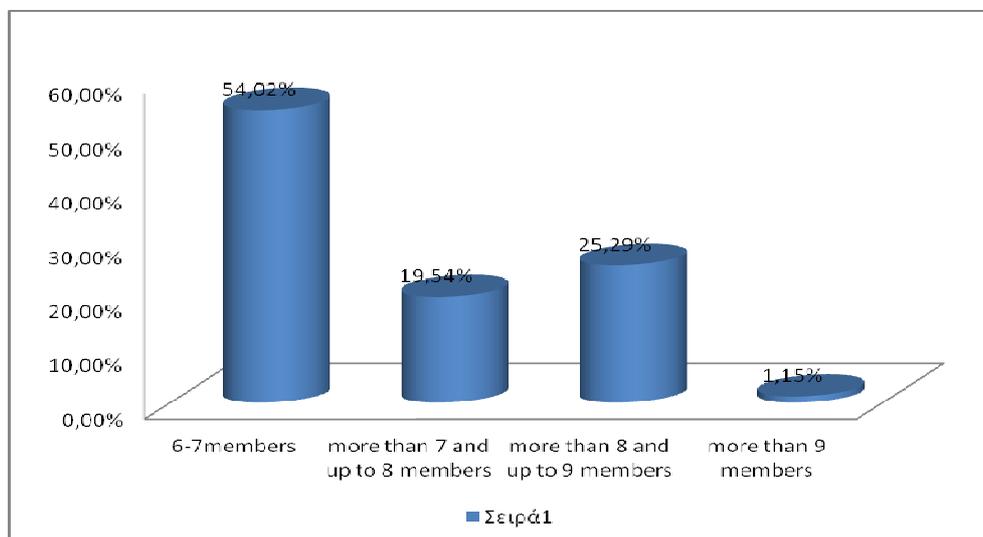
This finding is similar to the average board size of the Greek hospitals for the period 2005-2008 which was 7.43 in 2005, 7.54 in 2006, 7.64 in 2007 and 7.78 in 2008 (HOOG, 2010).

#### 4.5 Average Board Size

The average board size of 87 hospitals throughout the period 2009-2011 was 7.47, with a standard deviation 0.83.

As it can be noticed in the **Diagram 3**, 47 hospitals (54.02%) had from 6 to 7 members in their boards while 17 hospitals (19.54%) had boards comprising up to

8 members. In addition, 22 hospitals (26.44 %) had boards that ranged from more than 8 but up to 9 directors while 1 (1.15%) hospital had more than 9 members in its board.



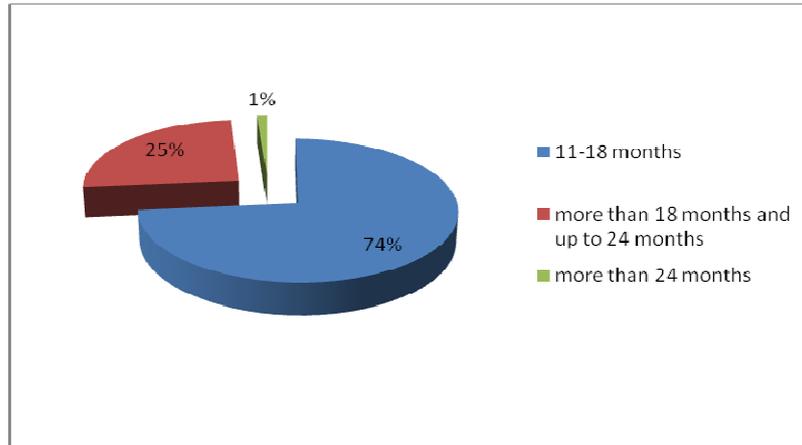
**Diagram 3: Average Board Size for the period 2009-2011**

This finding is associated with the Law 3329/2005 which indicates that board size should be either 7 or 9 depending on the capacity of the hospital. However, according to the provisions of the Law 3868/2010 board size should be either 5 or 7 depending on the hospital bed capacity and as it can be noticed even if the majority of the hospitals complied with the law; there is a great number of hospitals that have not adopted it yet. A possible explanation for this would be the delay in restructuring existing boards because of bureaucracy as the law was introduced in the late 2010.

#### 4.6 Average Tenure of the Board

The average tenure of all directors during the period 2009-2011 in a board was 16.48 months, with a standard deviation 2.53.

More specifically, in 64 (74%) hospitals the directors served from 11-18 months, while in 22 or 25% hospitals board members served up to 24 months and only in 1 (1%) hospital directors served for more than two years (**Diagram 4**).



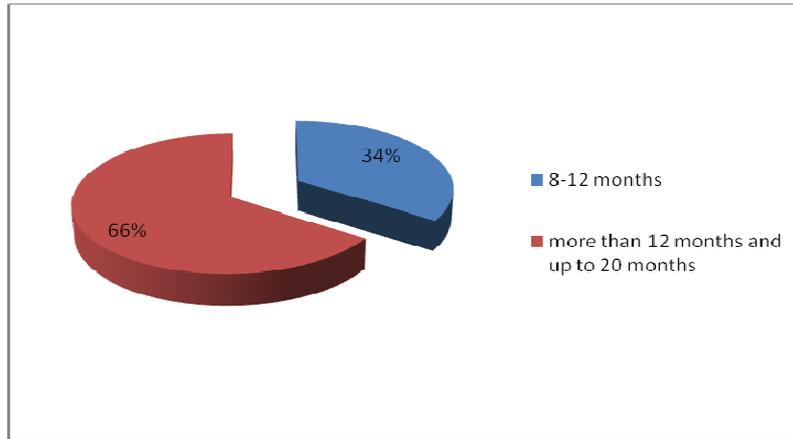
**Diagram 4: Average tenure of the Board**

This finding is in agreement with the provisions of the laws (L.3329/2005), (L. 3868/2010) which indicate that the tenure of the board should be two years. After the period of two years the employment of directors is either ended automatically or it is renewed by the Ministry of Health.

#### **4.7 Average Tenure of Governors**

The average tenure of Governors was 13.84 months, with a standard deviation of 3.46. It should be noted that the minimum tenure of Governors was 8 months and the maximum was 19.50 months.

The **Diagram 5** shows that in 30 (35 %) hospitals Governors served from 8-12, while in the 57 (66%) hospitals the Governor served for more than a year, but up to 20 months.

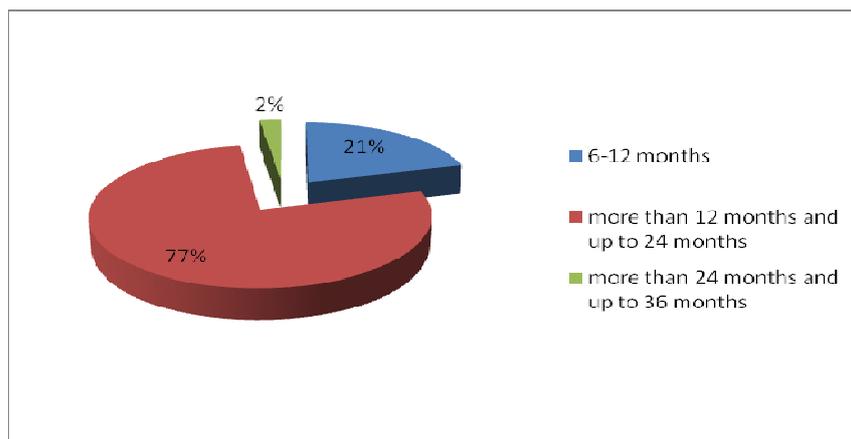


**Diagram: 5: Average tenure of Governors**

#### 4.8 Average Tenure of Vice Chairpersons

The average tenure of the Vice Chairpersons positions was 16.18 months with a standard deviation 4.15. The minimum tenure of a Vice Chairman was 6 months and the maximum 36 months.

Specifically, there were 9 (10%) hospitals where the Vice Chairperson served from 6-12 months while in 76 (88%) hospitals the Vice Chairperson kept his position for more than 12 months but up to 2 years. Only in 2 (2%) of the examined hospitals the Vice Chairperson kept his position for more than two years. **(Diagram 6)**

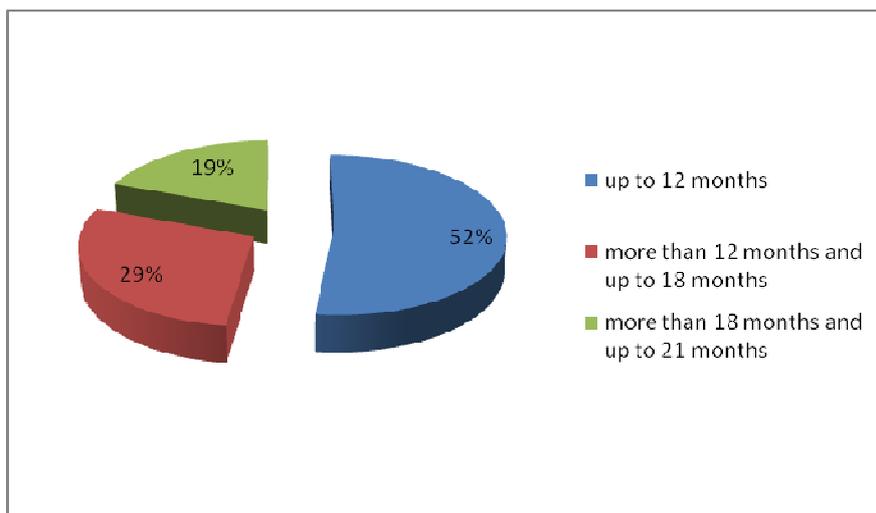


**Diagram 6: Average Tenure of Vice Chairpersons**

#### 4.9 Average Tenure of Alternate Governors

The average tenure of the Alternate Governors was 6.52 months, with a standard deviation 7.38. The minimum tenure of Alternate Governors was 1 month while the maximum was 21 months. Alternate Governors were seated in 52 out of the 87 hospitals of the sample, because only hospitals with more than 400 beds are required to have an Alternate Governor.

As can be seen from **Diagram 7** in 27 (52%) of the hospitals the Alternate Governor served up to one year, while in 15 (29%) of the hospitals the Alternate Governor served for more than 12 months but up to 18 months and in 10 (19%) hospitals the Alternate Governor served for more than 18 months but up to 21 months.



**Diagram 7: Average Tenure of Alternate Governors**

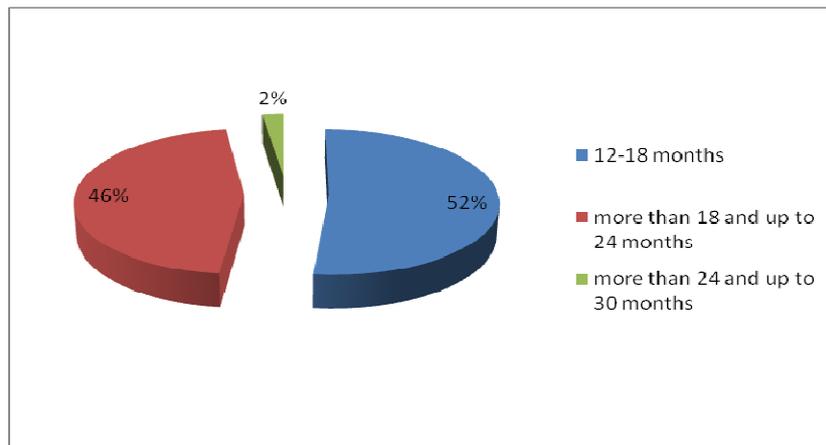
#### 4.10 Average Tenure of Directors

The average tenure of directors (excluding the Governor, Vice Chairperson and Alternate Governor positions) was 18.07 months, with a standard deviation 3.39.

As can be seen for **Diagram 8**, in the majority of the hospitals (45 or 52%) the average tenure of directors was 12-18 months. This finding is in agreement with the

provision of the Law 3329/2005 and Law 3868/2010 which indicate that the tenure of the board should be two years.

Also, in 40 (46%) in hospitals the directors had served for more than 18 but up to two years, while in 2 (2%) hospitals directors served from more than 24 months but up to 30 months.



**Diagram 8: Average Tenure of Directors**

#### **4.11 Number of Governor Positions**

The total number of Governor positions was 256, with an average number 2.94, and a standard deviation 0.76. More specifically, 27 hospitals (31%) changed their Governor once, 39 hospitals (44.8%) altered their Governor twice, while in 20 (23%) hospitals the Governor changed three times. Remarkably in 1 (1.1%) hospital 5 Governors have the opportunity to serve during the examined period.

#### **4.12 Number of Vice Chairpersons**

The total number of Vice Chairpersons served was 219, with an average number of 2.51 and a standard deviation 0.71. In detail, in 2 (2.3%) hospitals the Vice Chairperson has not changed throughout the years, while in 46 or 52.9% of the hospitals the Vice Chairperson changed once. Also, 32 (36.8%) hospitals changed the Vice Chairperson two times, while in 6 (6.9%) hospitals of the sample Vice

Chairperson changed 3 times. It is interesting to mention that in 1 (1.1%) hospital 5 Vice Chairperson changed respectively throughout the years.

#### **4.13 Number of Alternate Governors**

According to Law 3329/2005 and Law 3868/2010 only hospitals with more than 400 beds have Alternate Governors, thus the hospitals that had Alternate Governors were 52 (59.77%) out of the 87 hospitals. The total number of Alternate Governors was 117, with an average 1.34 and a standard deviation 1.50.

More specifically, 20 (23%) hospitals did not have any changes in their Alternate Governor position throughout the years, 15 (17.2%) hospitals changed the Alternate Governor once, and 5 (5.7%) hospitals altered their Alternate Governor twice. 8 (9.2%) changed their Alternate Governor 3 times, while in 4 hospitals (4.6%) the Alternate Governor changed 5 times respectively.

#### **4.14 Gender of Governors, Vice Chairpersons and Alternate Governors**

It is worth mentioning that during the period 2009-2011 approximately 1/3 of all the directors of the Greek hospitals were women. As it was mentioned before, 449 (29.50%) out of 1522 directorships were held by women with an average number of 5.16 and a standard deviation of 2.29.

Nevertheless, out of the 256 Governor positions, 226 (88.28%) were held by men and only 30 (11.72%) were held by women. Moreover, out of 219 Vice Chairpersons' positions 195 (89.04%) were held by men and 24 (10.96%) were held by women. Also, out of 117 Alternate Governor positions, 87 (74.36%) were held by men while 30 (25.64%) were held by women.

These findings show that even though the presence of women directors was significant in the Greek hospitals, the phenomenon of "think manager think male" is

apparent in the Greek hospitals as the three upmost roles of the board are held by men.

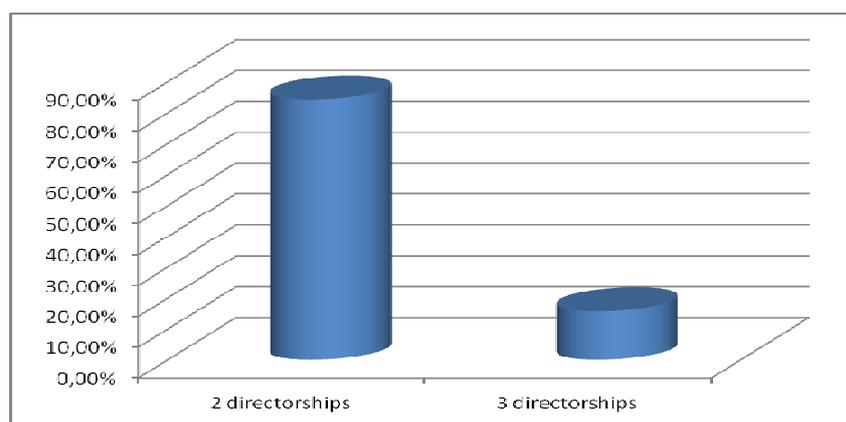
#### 4.15 Duality

The duality of the board members is being determined by the Law 3329/2005 and Law 3868/2010. The Governor has duplicate duties as it is stated in the corresponding legislation. Under the provision of these laws, the Governor is also the Chairman of the board of directors and presides at meetings.

#### 4.16 Interlocking directorates

The number of interlocking directorates in Greek hospitals has increased during the period 2009-2011 in comparison to the previous study conducted by HOCG (2010) for the period 2005-2008. In addition, the mobility among different boards has increased as well in comparison to the previous study of HOCG (2010).

More specifically, 75 (84.27%) directors were holding 150 directorships served in 2 different boards while 12 (15.73%) directors were holding 42 directorships served in 3 different boards during the examined period (**Diagram 9**).



**Diagram 9: Interlocking directorates/ mobility of directors**

In total, these 89 directors were holding 192 directorships in 59 hospitals throughout the examined period. Based on this information it was found that the total number of directors was 1419.

## **5. Summary**

The main purpose of this study was to reveal important issues of the corporate governance practices and characteristics of the board of directors of Greek healthcare sector. Therefore, an extensive study based on secondary data took place covering the period 2009-2011.

Results show that the total board memberships have increased significantly in comparison to the previous study of HOCG (2010) for the period 2005-2008 from 994 to 1522. The number of directors also has increased from 972 to 1419. This is happening because the period that this study covers was a period of major transformations in Greece because of the economic crisis which influenced the board of directors' structures.

Notably, despite a slight decrease the average board size has not changed from 2009-2011. This finding shows that hospitals have complied with the Law 3329/2005 and Law 3868/2010 relating to the board size, which according to the laws is being determined from the hospital capacity of beds. Moreover, it is interesting to point out that there was a decrease in the board size under the provisions of the Law 3868/2010 as it reduced the members of the board from 7-9, to 5-7, in order to improve the efficiency of the hospitals.

Furthermore, the most significant finding is the presence of female directors. The number of women in the Greek healthcare sector is the highest in comparison to the other types of board studied by HOCG (2010); almost 1/3 of the board members are women. The presence of women though, in Governor, Vice Chairman and Alternate Governor positions of the board is still limited, as these positions are held only by men. These findings are consistent with the study made by HOCG (2010) for the

Greek hospitals for the years 2005-2008 and show the number of women has not increased significantly in the three upmost roles.

Another important finding is the occupation of directors which indicate that there is a diversity of occupations in the Greek hospitals which is crucial for their overall performance. More specifically, directors with different educational and professional background can bring different perspectives to the board and enhance its efficiency.

Additionally, the findings show that the average tenure of the board is 16.48 months, while the average tenure of directors (excluding Governor, Vice Chairman and Alternate Governor) was 18.07, of Governors 13.84, of Vice Chairman 14.18 and of Alternate Governor 6.52 months. These findings demonstrate that the hospitals have complied with the Law 3329/2005 and Law 3868/2010, which indicate that the tenure of the board is two years. However, it is important to mention there was a frequent change in the members of the boards during the examined period with most of the members to serve less than two years in the boards.

Besides, another interesting finding is the number of interlocking directorates. Despite the fact that the number of interlocking directorates was not high during 2009 and 2010, in 2011 there was a dramatic increased, because of the Law 1681/2011 which was merging the boards of the Greek hospitals. This merge aims in the better coordination of the public hospitals and in the reduction of their expenses by the interconnection of their functions.

Finally, Greek hospitals are highly regulated and government intervention is significant. It was noticed that significant changes took place during the examined period as many practices tried to improve the efficiency of the Greek hospitals. As to which practices have to be used from Greek hospitals in order to enhance their efficiency is a controversial matter in Greece.

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