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Corporate governance in practice. The Greek case.

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Abstract

This study investigates the characteristics of corporate governance in Greece today as illustrated through a thorough analysis of the Corporate Governance Statements of all public companies in the Athens Stock Exchange. We attempt to highlight various characteristics of the enforcement of corporate governance rules in the everyday practice of corporations. We identify idiosyncratic factors pertaining in the Greek market that present interesting features in the global context. On average firms comply with internationally accepted Corporate Governance Codes, as they have been adopted in Greece by the Hellenic Federation of Enterprises (SEV), even though the number of firms that gradually develop their own Corporate Governance Codes is increasing. Greek firms appear to have surprisingly low percentages of CEO – Chairman of Board duality phenomena. On the other hand, in relation with other corporate governance best practices, we find the relative absence of committees other than the Audit Committee, which is compulsory, while the majority of firms are directed by small Boards of fewer than eight members. On the negative side we also document low presence of women in Boards and a high percentage of main stock holder family members on companies' Boards. When examining the distribution between executive and non-executive members in Boards it is found that the majority of Boards consist of executive and non-executive members, whereas independent non-executive members are constrained within the limits set by Greek corporate governance legislation. Our analysis further highlights that even though corporate governance implementation has been introduced to the local market for only approximately ten years, firms and authorities tend to be relatively strict relative to the level of conformity with internationally accepted corporate governance legislation.

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1. Introduction

Corporate Governance is a network of principles and practices based on which a company is organized and governed so that the long-term needs of shareholders and stakeholders will be preserved in the best possible manner. It evolved gradually over the past decades gaining publicity and widespread recognition as an area of research worthy of attention, especially towards the end of the 90s with accounting and financial scandals affecting the global marketplace. In Greece it was first introduced in the Greek Capital Market in the same period as a necessary move from the regulatory authorities towards the goal of controlling the unprecedented growth of stock prices and public interest experienced then. The first attempt of Greek authorities to set some common rules for all listed firms was the enforcement of quality criteria in the firms' practices towards their relationship with the shareholders. The Hellenic Capital Market Commission, in attempting to promote best practices in corporate governance, adopted, during the same period, rules and practices suggested by the Organisation for Economic Co-operation and Development, which inspired in turn the Hellenic Federation of Enterprises (SEV) to organize the first general suggested practices in corporate governance for Greek firms. L.3016/2002, that attempted to set the basic regulatory framework, still remains the main regulatory tool characterizing the Greek Corporate Governance experience. L.3340/2005, L.3371/2005, L.3556/2007, L.3693/2008, L.3884/2010 and, more importantly for the purpose of the present paper, L.3873/2010, that integrated in the Greek Law EU Directive 2006/46/EC, present the main components of the legislation currently holding. The Athens Stock Exchange and the Hellenic Capital Market Commission have further facilitated this process by introducing Rulebooks, Decisions and Directives that constitute a very detailed and strict legal framework for public firms. The implementation of similar laws and practices worldwide is commonplace today and authorities and policymakers attempt to strengthen and update the relevant framework so as to cater for the needs of the ever changing capital market environment.

Public companies are obliged to conform to the regulatory framework pertaining in each market, which is both desirable for the common implementation of best business practices, while it is also rewarded by potential and existing shareholder in the context of a very competitive environment as far as available investments in the capital market are concerned. Especially before the gradual tightening of the law framework that set an equal opportunities and obligations market structure, the market was prepared to pay a significant premium to firms enforcing strict corporate governance rules in their operations. This finding still holds but to a lesser extent.

In 2010, after the introduction of L.3873/2010, SEV took the initiative to codify the existing legislation and put together best practices suggested worldwide, providing a policy role model for local listed firms, under the name of "SEV Corporate Governance Code". L.3873/2010 requires that all public firms in Greece should incorporate in the General Assembly Statement of the Annual Report a discrete section containing information on the followed corporate governance practices and the Code of Corporate Governance that describes them, accompanied with possible deviations and further explanations and information. In 2012 the Hellenic Exchanges in a joint initiative with SEV formed the Hellenic Corporate Governance Council, which aims at promoting the endorsement of a Greek Corporate Governance Code by Greek firms, while warranting the continuous relevance and implementation of this Code.

Continuous research worldwide attempts to highlight whether various aspects of corporate governance affect performance, corporate profitability, while also scrutinizing particular traits in the context of various markets. Our attempt is to provide a brief approximation of the current situation in the Greek market after the introduction of the Corporate Governance Statement obligation for public firms. In an effort to pinpoint idiosyncratic characteristics in the Greek market, a small developed market of Southern Europe, we conclude that Greece presents a hybrid model standing in between Anglo-Saxon and European model practices, an affirmation made also in Gutierrez and Surroca (2013) when examining the Spanish market. Some best practices in corporate governance, like the existence of Audit Committees, are enforced, after they were made compulsory though, given the gradually stricter legislation. Others, such as the duality issue, are interestingly adopted by Greek firms to a greater extent than normally expected, given the traditional nature of the average Greek firm still being family controlled. The latter characteristic is evident from the increased presence of more than one family member on corporate boards. Even though Greek legislation was late in adopting some of the suggested best practices worldwide and while still after the introduction of the Corporate Governance Codes there is ample space for firms not to be as strict on corporate governance mechanisms, if they wish, we consider that on average the level of conformity of Greek firms with internationally accepted standards is