

Assessing Accrual Accounting Reform in Greek Public Hospitals: An Empirical Investigation

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Abstract

During the last decades, several countries worldwide have introduced financial management reforms, as an important part of the New Public Management (NPM) initiative at one or more levels of government sector, by either replacing or transforming their traditional budgetary cash accounting systems towards a business-like accrual accounting concept. Following the example of this upcoming managerial trend, the Greek government introduced in 2003 the accrual basis accounting into public hospitals, as the hospital sector is one of the areas where NPM reforms have been introduced in search of higher efficiency, effectiveness and economy in service production.

The purpose of this paper is twofold. The first goal is to provide an overview of the government sector reform initiatives in Greece and to present empirical evidence regarding the adoption level of the accrual basis accounting standards in the Greek public Health sector. The second goal of the research is to investigate the impact of a range of potentially contingent factors on hospitals compliance with the accrual financial and cost accounting reform.

The present analysis is based on the results of an empirical survey that took place during 2009. For the purposes of this survey, a structured questionnaire was prepared and sent to the Chief Financial Officers (CFOs) of 132 Greek public hospitals. In particular, a linear regression model analysis was used to examine the cross-sectional differences on a number of explanatory and implementation factors of the accounting reform adoption level.

The empirical evidence reveals that the level of accrual and especially cost accounting adoption in Greek public hospitals is realized only to a limited extent. In particular, results show that the level of reform adoption is positively related to IT quality, reform related training, education level of accounting staff, and professional consultants' support. However, no significant relationship was found between the level of reform adoption and hospital size,

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reform implementation cost, CEO educational background, experience effect, and absence of management-physicians conflict relationship.

The main contribution of this study is the empirical evidence it provides on the approaches and processes used by the Government of Greece to implement accrual financial and cost accounting systems in the Greek National Health System (GNHS) and the role certain human, organizational and situational factors played in such implementations for enhancing researchers' and managers' understanding of major implementation processes and challenges as well as helping them refine models of effective implementation process and improve systems and processes on similar future projects.

Keywords: Accrual Accounting, Public Sector Accounting, Compliance, Public Hospitals, contingency factors

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1. Introduction

Public service organizations across the globe have been engaged in strategies of institutional, organizational and managerial change in order to cope with increasing demands for greater financial accountability, efficiency and effectiveness.

Generally, governments are implementing numerous market-based and business-like reforms, broadly known as New Public Management (NPM), aiming at bringing the public sector in line with the private sector. NPM is used as an instrument to introduce market discipline in public bureaucracies as well as to indicate the shift in emphasis from input and process accountability towards output and results-oriented accountability. According to Christiaens et al. (2004; 2007) the governmental accounting reform has often been the first step of government reform and that is why it can be considered as an important condition and prerequisite for the success of other consequent governmental reforms under the transformation wave of NPM, such as organizational and managerial reforms. Therefore, effective and successful implementation of the accounting reform plays an important and dominant role in the implementation and success of other NPM practices and techniques within public organizations. Without an adequate and successful implementation, all the anticipated gains, the presupposed objectives and expectations of the reform will be lost due to the fact that the new accounting system will not be able to provide relevant and accurate managerial and financial information to support it. (Christiaens and VanPeteghem, 2007).

This change of public accounting systems towards accrual basis accounting seems necessary as the traditional budgetary cash accounting system is perceived nowadays as no longer satisfactory, mainly due to the lack of presenting an accurate financial picture