Corporate governance and board practices by Greek shipping management companies

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Received 28 September 2007
Revised 22 September 2008
10 February 2009
Accepted 19 February 2009

Abstract

Purpose – *Corporate governance is an area of interest to researchers, stakeholders and the general public. In recent times, there has been an increased concern about the effectiveness of the board within corporate organizations due to corporate scandals and accounting irregularities of some well known firms, which highlighted the inefficiency of monitoring corporate boards and the overseeing of managerial decision making. This paper aims to investigate the effects that a number of factors such as organisational demography, organisational size, ownership type, board size, CEO duality and CEO dependence/independence have on board configuration.*

Design/methodology/approach – *The paper reviews the literature on organisational demography and board structure characteristics. Primary data were gathered from 27 management shipping companies having their head office in Greece.*

Findings – *Findings show high levels of influence of the CEOs on the Board of Directors, since in most cases the CEO is the Chairman of the Board and high levels of control asked by the top management teams in almost all strategic decision processes.*

Originality/value – *The paper's contribution lies primarily on investigating issues relating to corporate governance in an extremely dynamic, highly extrovert, truly international and at the same time family owned sector; the shipping industry.*

Keywords *Corporate governance, Boards of directors, Freight forwarding, Greece, Marine transport*

Paper type *Research paper*

Introduction

In a challenging, internationalised environment, modern corporations increasingly operate on rule-based systems rather than on relationship-based ones. This brings to fore, the importance of corporate governance (CG) and the relationship between the people who manage corporations (corporate insiders) and all others who invest resources in corporations in a country.

Despite the importance of CG little emphasis has been given by the shipping industry. Literature relevant to corporate governance issues remains limited (Randoy *et al.*, 2003, Syriopoulos and Theotokas, 2007). With regard to Greek shipping, the literature review reveals a growing body of knowledge on aspects related to the management and the strategies of companies, including research on aspects of their strategic planning (Koufopoulos *et al.*, 2005); competitiveness (Lagoudis and Theotokas, 2007); family character (Harlaftis, 1996; Theotokas, 1998); entrepreneurial philosophy of Greek ship-owners (Theotokas, 1998); investment strategies (Thanopoulou, 1995); significance of the large number of small shipping companies (Thanopoulou and Theotokas, 2007); aspects of social responsibility (Fafaliou *et al.*, 2006); and frameworks for the analysis of the success of Greek shipping companies (Harlaftis, 1996; Theotokas, 1998; Harlaftis and Theotokas, 2004; Theotokas, 2007).

However, Greek shipping companies appear to be a very interesting case for analysis, due to several structural traits that they appear to have. The vast majority of the companies are family owned and controlled firms that base their internal integration on a strong corporate culture. They are companies of mainly small and medium size that operate competitively in the international freight markets complying with several standards of their financiers with regard to their internal articulation. They are also obliged to organise and control the decision making process to ensure that their operation conforms to standards and rules and meets the expectations of their customers with regard to safety and quality. Having all these in mind, the investigation of corporate governance in the Greek shipping is considered to be a challenging empirical exercise indeed.

This paper illustrates the governance issues in Greek Shipping companies that border on board's roles in the corporate strategy process, appraisals of directors, and relationships between boards, CEOs and top management. It also discusses the relationship between board characteristics and functions of the board.

Literature review

CG Dimensions

Board structure has been a topic of increased attention in the disciplines of economics, finance and strategic management (Jensen and Meckling, 1976; Fama, 1980; Boyd, 1995). It refers to the formal organization of the board of directors. Its major dimensions are size and the division of labour between the board chair and the CEO and finally its composition.

Board size is regarded as an important determinant of effective corporate governance (Pearce and Zahra, 1992; Dalton *et al.*, 1999). Larger boards are likely to have more knowledge and skills at their disposal and the abundance of perspectives they assemble can potentially enhance cognitive conflict. As board size increases both expertise and critical resources for the organisation are enhanced (Pfeffer, 1972; Constantinou *et al.*, 2005). Larger boards, also, prevent the CEO from taking actions that might not be in line with shareholders' interests, such as golden parachutes contracts (Singh and Harianto, 1989).

However, increased board size inhibits the board's ability to initiate strategic actions (Goodstein *et al.*, 1994). Larger groups are often believed to be more capable of monitoring the actions of top management as it is more difficult for CEOs to control larger boards. This enhances the independence of the board from the CEO, which increases the board's ability and willingness to use its decision control powers to ratify or refute decisions made by the Chief Executives (Zahra and Pearce, 1989). Similarly, Singh and Harianto (1989) suggest that larger boards can make it more difficult for the CEO to obtain consensus for taking actions that harm shareholders' interest.

On the other hand, smaller boards have been argued to respond more effectively to timely strategic decisions (Goodstein *et al.*, 1994; Judge and Zeithaml, 1992); and the small board size has been found to be positively related to strategic change (Golden and Zajac, 2001). Large groups are more difficult to coordinate and more likely to develop potential interactions among group members (O'Reilly *et al.*, 1989).

Leadership structure or CEO duality is a critical parameter of efficient corporate governance. CEO duality occurs when the CEO and the Chairman of the board is the same person in a corporation (Rechner and Dalton, 1991). The CEO is a full-time position and holds responsibility for the day-to-day running of the office as well as setting and implementing corporate strategy and mainly, overseeing the performance of the company. On the contrary, the position of the Chairperson is usually a part-time position and its main duties focus on ensuring the effectiveness of the board and the evaluation of the performance of the executives (Weir and Laing, 2001). In serving simultaneously as CEO and Chairperson, a CEO is likely to have greater stature and influence among board members (Harrison *et al.*, 1988); thus, hampering the board's independent monitoring capacity (Beatty and Zajac, 1994).

Agency theorists assume that boards of directors strive to protect shareholders' interest (Fama and Jensen, 1983). Therefore, they support the idea that the separation of the jobs/roles of the CEO and the Chairperson will improve organizational performance, since the board of directors can better monitor the CEO (Harris and Helfat, 1998).

The separation of the functions of the CEO and the Chairman of the board has been commonly suggested by practitioners and shareholder rights activists as an important condition for avoiding conflicts of interest between the corporate constituencies and the management as well as for improving the board governance (OECD, 2004; Monks and Minow, 2001; Baysinger and Hoskisson, 1990).

In contrast to agency theory, the leadership perspective suggests that firms will perform better if one person holds both titles, since the executive will have more power to make critical decisions (Harris and Helfat, 1998). In addition, Pfeffer and Salancik (1978) suggest that a single leader can respond to external events and facilitate the decision- making process.

Board composition defines the affiliations of each director. Board composition has often been used as a proxy for corporate governance. Scholars have a long history of interest in board composition (Baysinger and Butler, 1985; Baysinger *et al.*, 1991; Hill and Snell, 1988; Westphal, 1999). Central to the literature is the distinction between executive and non-executive directors. The two types bring different skill sets and outlooks to decision making. The cooperative tandem of roles should make overall board effectiveness stronger than that offered by either of the individual types of directors (Harris and Shimizu, 2004).

Many authors have strongly objected to management participation in and domination of board proceedings (Eisenberg *et al.*, 1998) contending that the common practice of including managers on board compromises its efficacy in controlling managers. This implies that boards dominated by outsiders are less likely to take actions that deviate from the interests of shareholders especially when outsiders are truly independent from management.

In recent years, the boards of publicly traded firms contain a majority of outsiders (non-executives) on key committees. However, Baysinger and Hoskisson (1990) have argued that the trend towards outside directors has unanticipated consequences. Strong outsider representation is also considered to be an essential feature of an independent board (Daily and Dalton, 1994; Mallette and Fowler, 1992). Outsiders are those board members who do not work for or have professional relationships with the corporation they govern (Mallette and Fowler, 1992). From the agency theory perspective, outsiders are more likely to carry out their oversight responsibilities effectively than insiders because their interests will be more closely aligned with those of the corporation's owners (Johnson *et al.*, 1993). Insiders will not want to raise the sensitive topic of the CEO performance because in all likelihood they are beholden to the CEO for their jobs. Agency theorists argue that outside directors are more able to monitor the actions of managers, since the former bring a clear and objective perspective on managerial strategic decisions (Baysinger and Hoskisson, 1990).

Nevertheless, insiders have the necessary information to take valid decisions regarding managerial decision making. Proponents of stewardship theory argue that superior performance for internal and external stakeholders is linked with to a majority of insiders (Vance, 1964; Kesner, 1987). The empirical evidence on the implications of board composition for firm performance appears to be mixed. Rosenstein and Wyatt (1997) find the number of outsiders to have a positive impact, in line with Baysinger and Butler (1985) but contrary to Hermalin and Weisbach (1991), Bhagat and Black (1999) and Dalton *et al.* (1999).

Strategic process (involvement). Greater pressure for corporate accountability from shareholders and public scrutiny has prompted an examination of the board's role in strategic-decision making (Judge and Zeithaml, 1992). Strategy as a concept, is the outcome of formal planning; an analytical process, which establishes long-term objectives, a process usually initiated by top management and undertaken by staff strategists (Ansoff, 1965). In a series of studies, Mintzberg (1973, 1978) has examined the process of strategy as ''a pattern in a stream of decisions''. Strategy then involves multiple levels within the organization (Burgelman, 1983) and strategic process includes strategic analysis, strategic choice and strategic implementation (Andersen, 2000). Strategic analysis, more specifically, is concerned with the strategic position of the organization in terms of the internal and external environment in which it operates as well as of stakeholders' expectations and influences. The board of directors and its mechanisms has a critical impact on the strategic decision-making process of the organization (Rindova, 1999). Agency theory, as Zahra and Pearce (1989) state, ''places a premium on a board's strategic contribution, specifically the board's involvement in and contribution to the articulation of the firm's mission, the development of firm's strategy and setting of guidelines for implementation and effective control of the chosen strategy''. Empirical research on the strategic role of the board of directors has largely ignored the emergent nature of strategy and its implications on board involvement. Demb and Neubauer (1992) have briefly asserted that the more an organization is characterized by an emergent strategy-development process, the less likely it is that the board will be involved. The more fragmented the decision-making process, the lower chance there is for non-executive directors to intervene or to submit their opinion (Demb and Neubauer, 1992).

The concept of involvement in strategy is difficult to be defined. A common distinction is based on the largely accepted view of specific strategy decisions as being composed of a formation phase and an evaluation phase (Judge and Zeithaml, 1992). In both formulation and evaluation, there are levels of involvement, which can be represented as continua (McNulty and Pettigrew, 1999; Zahra and Pearce, 1989). In formulation, the board's involvement has been claimed to range from working with the management to develop strategic directions to merely ratifying management proposals. In evaluation, boards can be classified according to whether they probe management's evaluations of resource allocations or whether they simply accept the evaluation top management provides (Judge and Zeithaml, 1992).

Relationship between CEO and top management team

The board must evaluate the CEO, based on mutually agreed objectives and company performance criteria and in combination with the CEO's self-assessment, reward him/her accordingly. In addition, the board must approve the overall approach towards development and succession, review its progress and set future objectives (Burton, 2000). As regards to the top management team, its core responsibilities include establishment of corporate strategy, policy and objectives and evaluation of the overall organisational performance (Katzenbach, 1997). Fama (1980) considers the board as a cheaper alternative control mechanism of the CEO and management against expensive market mechanisms such as takeovers. Furthermore, Fama and Jensen (1983) characterize the board as ''the top-level court of appeals of the internet agent market''. The board reaches on decisions about the managerial performance within the corporation by using inputs from executive directors and other top managers about their decision processes and initiatives. For this top management appraisal, the board gathers information from lower-level management. Subsequently, based on that appraisal, the board rewards top management accordingly and forms its decision initiatives.

Methodology

The sample of this study consists of Greek shipping companies drawn from the Skolarikos database (2006), with five or more vessels. All companies are based in Greece and are active in international freight markets. In most cases, these companies operate as branches of mother companies registered in third countries and are bound to the requirements of the Law 89/67. This legislative framework does not impose any requirements or restrictions to the companies' governance structure. Structured questionnaires were dispatched to 179 Greek shipping companies' managing directors, in November 2006, accompanied by a personalized letter. Two additional mail waves were carried out in December 2006 and January 2007. Of those, 22 questionnaires were returned back to us due to a wrong address and 28 responses were received indicating the unwillingness of the Managing Director to provide such data. Overall, 32 responses were received (20.3 per cent), of which five questionnaires were disregarded due to incomplete answers. The present data analysis is based on 27 responses (17.2 per cent).

Measurements

Independent variables. Board size was measured by the absolute number of directors (Dedman, 2000). Board composition was operationalised as the percentage of outside directors on the board (Udueni, 1999). Board leadership structure is a binary variable coded as ''0'' for those firms employing the separate board structure and ''1'' for those employing the joint structure. Moreover, the frequency of meetings was examined in one question to capture the 'formality' of the board of directors and one other item reviews the total number of employees that each shipping company employs. Finally, the directors were asked to answer on the ownership percentage of the company.

Dependent variables. A seven-point Likert scale from ''strongly disagree'' to ''strongly agree'' was employed to measure the various constructs and variables. Eight items capture the strategic processes (Dulewicz and Herbert, 1999); six items capture the relationship among the board of directors and top management team (Dulewicz and Herbert, 1999). Finally, a five-point Likert scale was employed to measure the performance of the companies in comparison to their competitors' performance. The model is presented in Figure 1.

Research findings

The survey results capture the current corporate governance practices in the Greek shipping industry as regards to the Board of Directors' characteristics, the board involvement in the strategic planning process, the board relationship with the CEO and the top management team.

Board size

Our empirical findings demonstrate that the average number of directors in this survey was 4.4, indicating a rather small board size (Figure 2). More specifically, 44.4 percent of Greek shipping companies have a board size composed of five directors, 18.5 per cent of six or seven directors and 37 per cent of less than five directors. As already mentioned, most of the

Figure 1 Research model

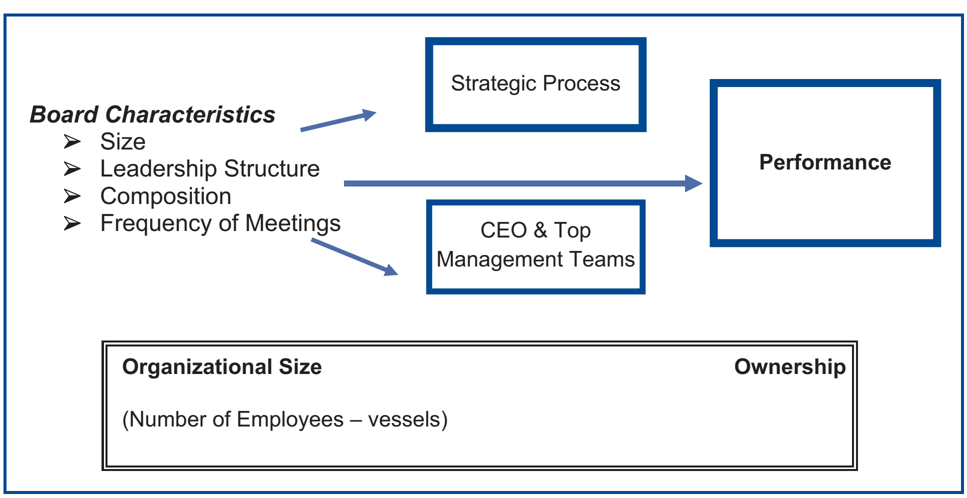
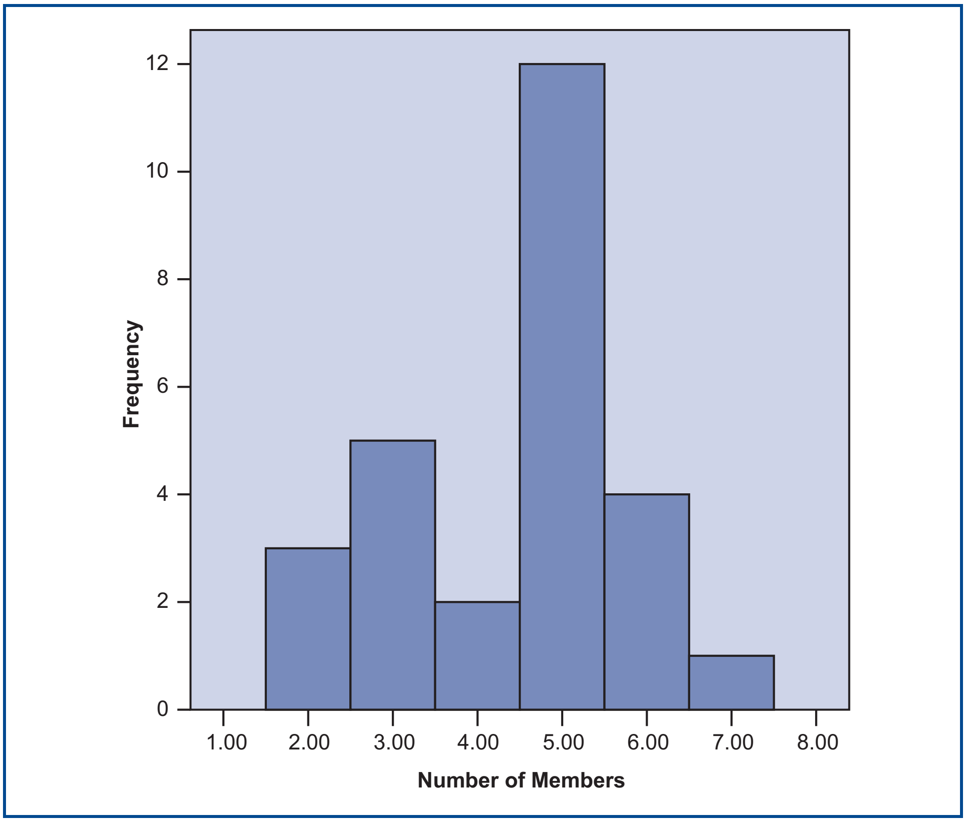


Figure 2 Board size



shipping firms are family owned and controlled and are of small to medium size. Past evidence indicates that the larger the company size, the larger the number of directors (Huse, 1990). The small board size in shipping firms can be associated to the absence of ownership and management separation (Theotokas, 1998) as well as to the consequent lack of agents' frictions and constraints.

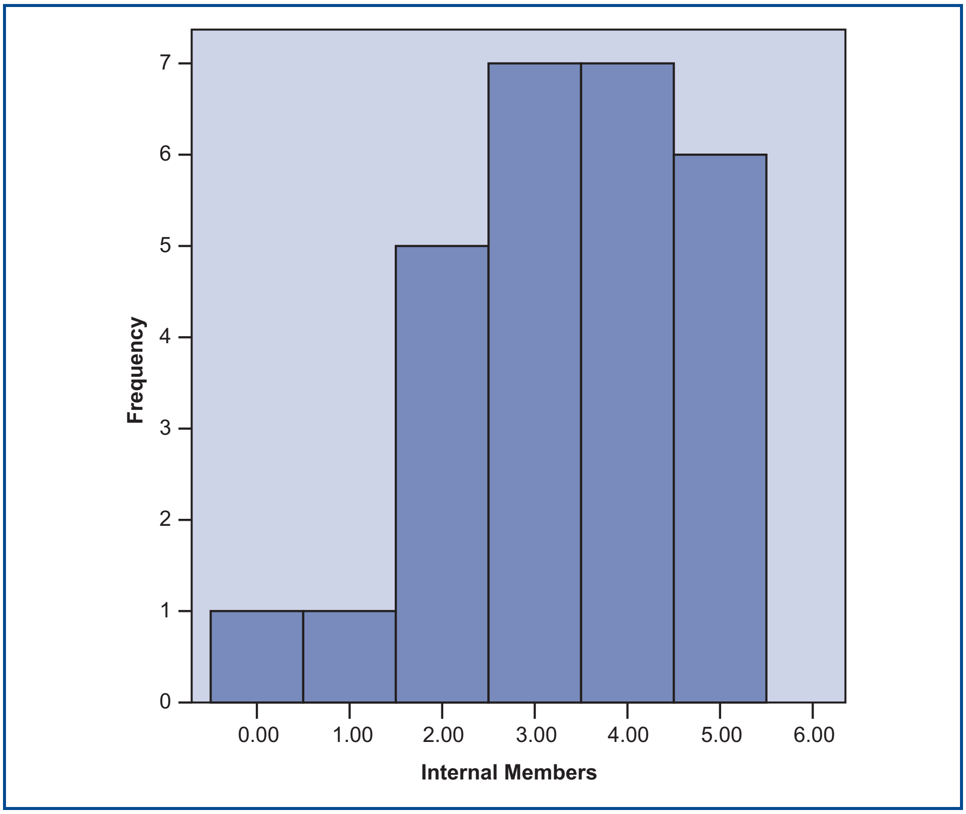
Board composition

The average number of internal and external directors was found to be 3.3 and 1.15, respectively (Figures 3-4). These findings are in line with Yermack (1996), who found a positive correlation between the board size and the number of external-outside directors. It is notable that 38.4 per cent of the shipping companies have no external members and this further supports that ownership and control are not separated. Nevertheless, a significant percentage of those external directors were not independent. To be specific, 0.76 directors were found on average to have some form of affiliation with the company (Figures 5-6).

Leadership structure

A 55.56 per cent respondents' percentage indicated that the same person fulfils the roles of the CEO and Chairman and 44.44 per cent indicated an independent board leadership structure. This is an indicator, which on the one hand, supports the family character of the Greek shipping companies and on the other hand, underlines the prime role the founding family member retains on the company's management (Theotokas, 1998, 2007). The fact that the CEO can be a member of the firm's founding family has a positive impact on corporate performance, as some previous studies have confirmed, including the maritime industry (Mishra *et al.*, 2001; Randoy *et al.*, 2003).

Figure 3 Internal board members



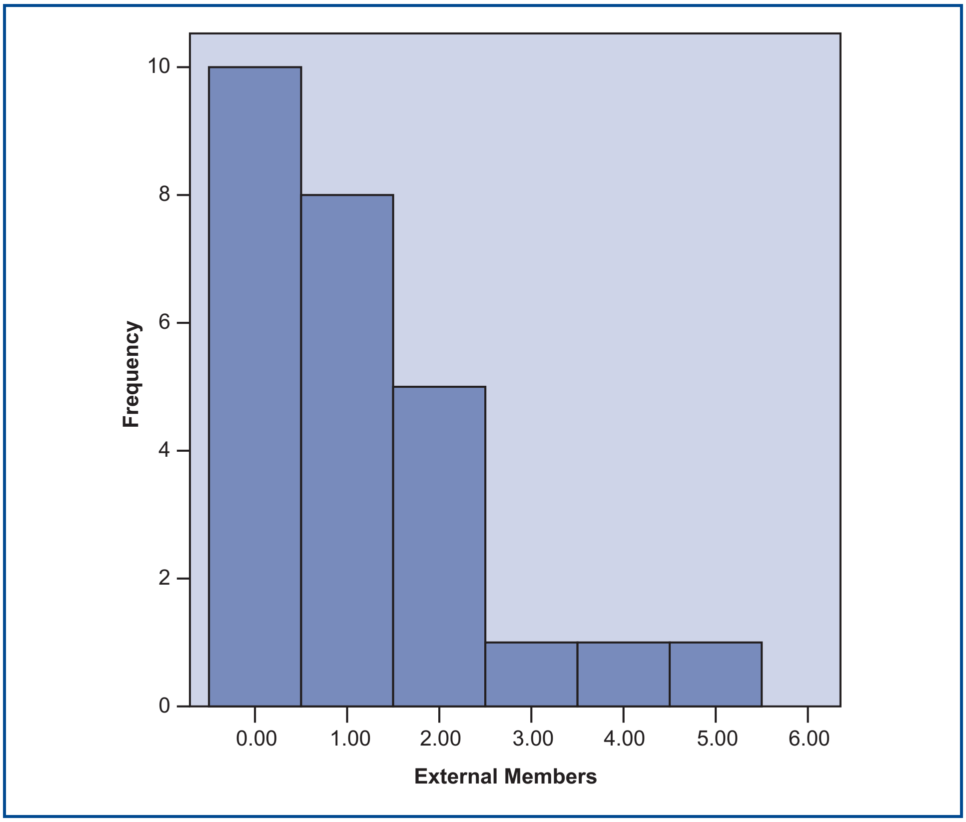
Frequency of meetings

Almost half of the boards seem to have meetings often, that is, at least once a month. This is an indication that the boards of directors in the shipping industry play an active managerial role and not the role that they are meant to (Table I). There are several explanatory factors on this role of the board of directors. The business environment of the shipping industry is very dynamic and volatile. The decision to charter a ship either in spot or in a time-charter contract depends on freight market conditions and is a strategic decision. Thus, shipping companies need to assess continuously the business environment and timely adjust their strategic choices. In the family owned and controlled shipping firms, family members, who act as directors, are at the same time members of the company's management team. This duality leads very often to role overlaps. However, this is considered to be one of the core advantages of the Greek shipping companies, as it increases their operational flexibility and favours fast decision making (Theotokas, 2007).

Company's performance

A large percentage of respondents appear to hold the view that their companies perform well on financial criteria, such as operating profits (70.4 per cent), return on assets (61.6 per cent) and revenue growth (55.8 per cent). The shipping market share indicator, as measured by the number of ships in operation, revealed that the majority of the shipping firms were not entirely satisfied, as only 26.9 per cent assumed high performance in this front (Table II). Since freight market volatility has induced volatility in vessel (ship) prices, many shipping companies have turned into ''asset players'', buying and selling vessels and targeting solely high capital gain accumulation. Purchasing of a vessel when freight rates are low and ship prices are depressed and selling of that vessel when freight markets are booming and ship prices are high result to substantial capital gains to the shipping firm that may represent capital returns of more than 100 per cent for a period of less than a year. However, shipping

Figure 4 Outside/external board members



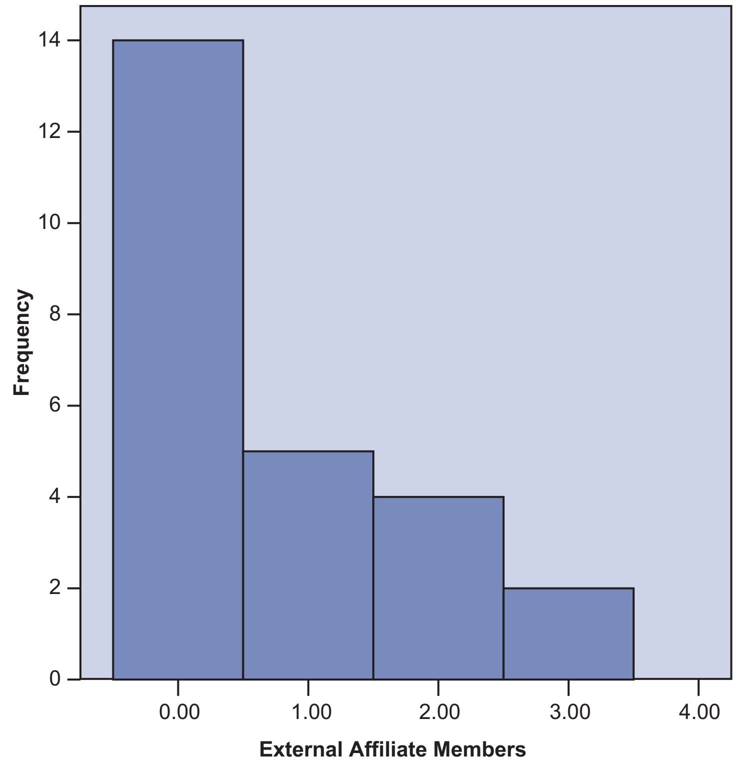
firms that implement such an investment strategy do not perceive their market share as a critical performance indicator. Given that Greek shipping companies are very active in implementing this strategy (Thanopoulou, 1995), the low ranking that market share appears to receive cannot be considered as an indicators of truly unsatisfactory performance.

Board involvement

The Greek boards seem to place considerable emphasis on the determination of the company's mission and vision since 70.3 per cent of the respondents have strongly agreed upon the strategic process. Similarly, the board's involvement in determining and reviewing the company's objectives is substantial, with a percentage of 77.7 per cent of the respondents strongly agreeing on that. The same percentage was noted in reference to the determination of corporate and financial strategic options by the board. This involves reviewing and selecting those options to be pursued and deciding on the resources, contingency plans and means to support them. Determining, supporting and enforcing corporate policies is another issue on which Greek shipping boards are actively involved in. As seen, 74 per cent of the respondents indicated above medium activity, supporting the conclusion that boards pay considerable attention to ensuring that corporate policies are adhered to and followed. The same percentage of respondents strongly agreed that the board reviews and evaluates present and future opportunities, threats and risks in the external environment and current and future strengths, weaknesses and risks of their company.

However, Greek boards give less emphasis on ensuring that the structure and capability of the organization are appropriate for implementing the chosen strategies since 59.2 per cent of the respondents indicated medium, above medium and slightly above medium involvement of their board at this phase of the strategic planning process. Finally, Greek boards are less actively involved in adapting performance measures to monitor the

Figure 5 External and affiliate board members



implementation of strategy, with 55.5 per cent of the respondents agreeing on their board's involvement in this issue (Table III). This finding is in accordance with the Hendry and Kiel (2004) proposition that board of companies operating in highly uncertain environments place more emphasis on strategic rather than on financial control.

The Board's relationship with the CEO and TMT

As illustrated, 73 per cent of the respondents, either weakly or strongly, agreed that the board ensures that internal control procedures exist for monitoring operations and performance. As regards to the board's involvement in management succession and development, the results showed that 53.8 per cent of the Greek boards are moderately involved in this process. The boards also are not very active in CEO evaluation and reward nor are they involved in management development and succession plans, having about half of the managers agreeing on that. Finally, 72.1 per cent stated that they never have meetings without the CEO, emphasizing the importance of his role in the board (Table IV). Taking into account that in 55.6 per cent of the companies, the CEO and the Chairman was the same person, one could see that even in companies where the roles are discrete, the CEO holds the leading role.

Company size

Results showed that 44.44 per cent employ up to 250 employees and the remaining 55.56 per cent have more than 250 employees in their resources.

Control-ownership percentage

The majority of the Greek shipping companies are family owned since 94.78 per cent are inside owners.

Figure 6 External and independent board members

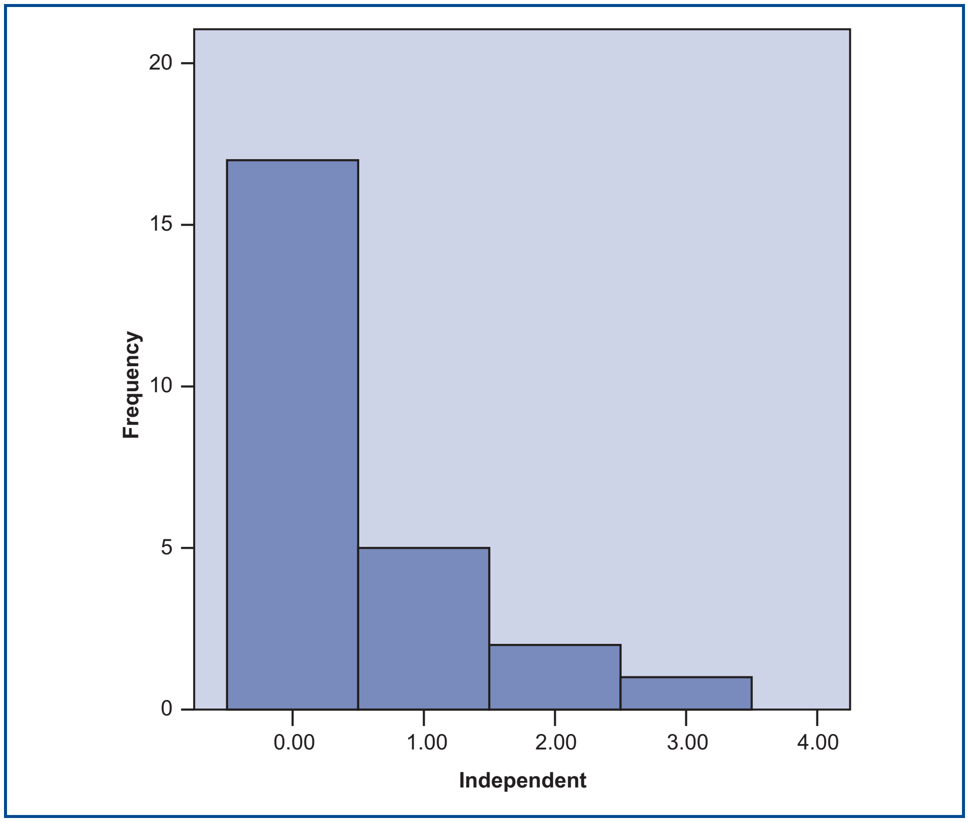


Table I Frequency of meetings

	Frequency	
Every week	8	(30.8)
Twice per month	2	(7.7)
Every month	3	(11.5)
Every three months	6	(23.1)
Twice a year	2	(7.7)
Once a year	3	(11.5)
Other	2	(7.7)
Total	26	

Conclusions

The empirical findings of this study have revealed a number of critical issues as regards to corporate governance practices in the Greek maritime industry. Greek shipping companies are found to be family owned and managed, with the founding member of the family holding a leading position. These traits are in accordance with previous empirical studies (Theotokas, 1998; Harlaftis and Theotokas, 2004; Theotokas, 2007; Thanopoulou and Theotokas, 2007). Taking into account that the registered tonnage of Greek ownership is continually growing for the last 40 years and that Greek-owned shipping is by far the leading maritime power of the world, one could support the argument of James (1999) that the extended horizons of the Greek family firms provide the incentives for decision makers to invest in a way that optimises returns, while at the same time allows them to avoid agency costs that separation of ownership from control could create.

Table II Performance

	Mean	*Std deviation*	*Significantly under performed (1)*		*(2)*		*(3)*		*(4)*		*Significantly over performed (5)*	
Return on assets (26)	3.73	0.77			1	(3.8)	9	(34.6)	12	(46.2)	4	(15.4)
Operating profits (27)	3.77	0.80			2	(7.4)	6	(22.2)	15	(55.6)	4	(14.8)
Profit growth (26)	3.50	1.01			2	(7.7)	12	(46.2)	9	(34.6)	3	(11.5)
Revenue growth (27)	3.51	0.99	1	(3.7)	3	(11.1)	8	(29.6)	11	(40.7)	4	(14.8)
Market share (26)	2.96	1.14	1	(3.8)	8	(30.8)	10	(38.5)	5	(19.2)	2	(7.7)
Increase in market share (27)	3.07	1.12517	2	(7.4)	7	(25.9)	8	(29.6)	7	(25.9)	3	(11.1)

Greek shipping companies have a small board size ranging between five to seven board members. They also exhibit a balanced board leadership structure and more than half of the firms were seen to have the same person as CEO and board chairman. This in turn indicates that boards are under considerable influence by the CEO, in line with Harrison *et al.* (1988), and have less ability to take any control actions over him (Beatty and Zajac, 1994). This outcome is similar to the studies of Harlaftis (1996) and Theotokas (1998), who present the family structure of shipping business as well as research on the Greek listed firms (HOCG, 2007; 2008). The non-independence of Greek maritime boards is further supported by the number of inside directors on the board, accounting for more than 75 per cent of the board, in conjunction with the limited number of external but affiliated directors. Maritime companies seem to favour the opinion that executive directors can enhance board decision-making, due to their knowledge of day-to-day operations, as Baysinger and Hoskisson (1990) have stated and their ability to integrate intra-firm functions (Hill and Snell, 1988).

It has been argued that firms with a lower proportion of external directors and with CEOs acting as Chairmen are more likely to experience failures (Scherrer, 2003). This does not seem to be confirmed in the case of the Greek shipping companies. Based on the findings that for the majority of the firms, board leadership is not independent, CEO and Chairman seats are held by the same person, who coincides to be a member of the founding family, and Greek shipping firms have small boards, one could support the finding of Mishra *et al.* (2001) that all these factors ultimately enhance the value of the firm.

Empirical findings indicate that Greek boards significantly contribute to all stages of the strategic process from analysis to formulation and finally implementation. The boards' frequency of meetings is also an indication of their involvement in the emergent strategy development process that characterizes shipping companies, especially those active in the bulk shipping freight markets. This involvement may be further facilitated by the high average number of internal directors, not to mention the high percentage of the companies that have no external members in their board. These findings indicate that shipping organisations are characterized by an emergent strategy-development process, which is more fluid and fragmented, leading to the conclusion of Demb and Neubauer (1992) that there is less chance for non-executive directors to intervene or to submit their opinion.

The boards of directors in Greek shipping firms closely monitor the actions and performance of the top management team, since the majority of the respondents were communicating to management performance results and were involved in the strategy process. However, Greek shipping boards appear to be hesitant in evaluating both the CEO and their own performance. This finding is related to the family character of the companies and the fact

Table III Board's involvement in the strategy process

The board . . .	*Mean*	*SD*	*1* *Strongly disagree*													*7* *Strongly agree*
Determines the company's vision and mission to guide and set the pace for its operations and future development (27)	5.11	1.82	2	(7.4)	1	(3.7)	2	(7.4)	3	(11.1)	5	(18.5)	7	(25.9)	7	(25.9)
Determines and reviews company objectives to match the mission and values, and to form the basis of company strategy (27)	5.11	1.69	1	(3.7)	2	(7.4)	3	(11.1)			7	(25.9)	9	(33.3)	5	(18.5)
Determines, supports and enforces company policies (27)	5.14	1.63	1	(3.7)	2	(7.4)	1	(3.7)	3	(11.1)	6	(22.2)	9	(33.3)	5	(18.5)
Reviews and evaluates present and future opportunities, threats and risks in the external environment, and current and future strengths, weaknesses and risks of your company (27)	5.37	1.54	1	(3.7)			3	(3.7)	3	(11.1)	3	(11.1)	11	(40.7)	6	(22.2)
Determines corporate and financial strategic options, reviews and selects those to be pursued, and decides the resources, contingency plans and means to support them (27)	5.51	1.34			1	(3.7)	3	(11.1)	4	(14.8)	5	(18.5)	9	(33.3)	7	(25.9)
Determines the business unit strategies and plans designed to implement the corporate strategy (27)	5.33	1.27			1	(3.7)	1	(3.7)	4	(14.8)	8	(29.6)	8	(29.6)	5	(18.5)
Ensures that your company's organisation structure and capability are appropriate for implementing its chosen strategies (27)	4.88	1.64	1	(3.7)	2	(7.4)	1	(3.7)	7	(25.9)	5	(18.5)	6	(22.2)	5	(18.5)
Adapts performance measures to monitor the implementation of strategy, policies and plans, and the legal/fiduciary obligations affecting the business and the board (27)	4.70	1.65	1	(3.7)	2	(7.4)	3	(11.1)	6	(22.2)	5	(18.5)	6	(22.2)	4	(14.8)

Table IV Board's roles and activities

Your board	*Mean*	*SD*	*1*												*7*	
			Strongly disagree												*Strongly agree*	
Ensures that internal control procedures provide valid and reliable information for monitoring operations and performance (27)	5.03	1.50	1	(3.7)			5	(18.5)	1	(3.7)	7	(25.9)	10	(37.0)	3	(11.1)
Delegates authority to management and monitor its implementation (27)	5.33	1.30			1	(3.7)	2	(7.4)	4	(14.8)	3	(11.1)	14	(51.9)	3	(11.1)
Ensures that senior management's successes and failures are communicated (26)	4.76	1.53			2	(7.7)	3	(11.5)	7	(26.9)	6	(23.1)	3	(11.5)	5	(19.2)
Is involved in management development and succession (26)	5.15	1.73	1	(3.8)	1	(3.8)	3	(11.5)	4	(15.4)	3	(11.5)	7	(26.9)	7	(26.9)
Rewards and evaluates the CEO (27)	4.59	2.27	4	(14.8)	3	(11.1)	3	(11.1)	1	(3.7)	2	(7.4)	7	(25.9)	7	(25.9)
			Always												*Never*	
How often does your board meet without the CEO (26)	5.69	1.82	2	(7.7)					5	(19.2)	2	(7.7)	3	(11.5)	14	(53.8)

that there is no need for the existence of stricter control mechanisms, as the interests of the owning family are represented by both the CEO and the Board.

Intense competition in the freight markets along with consolidation enforces shipping companies to adjust their governance structures. Adoption of corporate structure will entail several advantages to firms, the most important being the access to capital for investment and the enhancement of their corporate image. The empirical findings of this study show that although the governance system of the Greek shipping companies is still structured around the founding family, they have started to adopt more structured governance systems.

Further research on corporate governance is needed under a more systematic perspective and a holistic approach, where all the important subsystems are considered and their effects on the corporation's governance structures are thoroughly evaluated and measured. Corporate governance is not just about playing ''watchdog'' over management, it is more about enhancing corporate strategic choices, acknowledging and responding to the interests and concerns of stakeholders, developing and bolstering managerial competencies and skills and ultimately protecting and maximizing shareholder wealth.

The study of the Greek shipping companies shed some light and contributes to the ongoing, emerging and extremely important research stream that relates to the small and entrepreneurial firms. It is an indisputable fact that ''family firms'' constitute a great amount of firms around the world (IFERA, 2003) and they do contribute to wealth creation (LaPorta *et al.*, 1999). Although within organizational strategy and finance research streams the issue of corporate governance among ''family'' or ''small firms'' are poorly researched (Hermalin and Weisbach, 2003; Huse, 2000) strong arguments have been put forwarded regarding the added value that boards can offer in smaller unquoted firms (Johannison and Huse, 2000). The authors believe that further research can explore issues relating to the board roles in family controlled firms, like general advice and counsel, arbitration, networking, and discipline of management (Ward and Handy, 1988; Whisler, 1988; George *et al.*, 2001). In addition, a more detailed approach is needed for classifying boards based on their ratio of internal, external, affiliated or independent directors, extending the work by Schwartz and Barnes (1991). Furthermore, a deeper investigation of whether family ownership is a vehicle of either aligning the interests of family block holders and management or a legitimate alternative through which family members can expropriate wealth of outsiders (debt holders/shareholders) should be conducted as it is extremely relevant within the context of the Greek shipping companies.

This research highlights some important elements of corporate governance in a dynamic sector operating internationally and at the same time being characterized by the ''family'' factor as a dominant feature. Although the sampled companies do not operate in the capital market, they may be advised that due to increased legislative pressures for more transparency and accountability, they should consider reconfiguring their boards in a way that greater independent monitoring will be in place.

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