



## RESEARCH NOTE

# Outsourcing in private healthcare organisations: a Greek perspective

Socrates J. Moschuris

*Department of Industrial Management and Technology, University of Piraeus, Piraeus, Greece, and*

Michael N. Kondylis

*Public Power Corporation S.A., Athens, Greece*

### Abstract

**Purpose** – The purpose of this paper is to present a study carried out to investigate the extent of outsourcing, the decision-making process, the impact of outsourcing, and the future trend of outsourcing in private healthcare organisations in Greece.

**Design/methodology/approach** – A survey instrument was designed and mailed to a random sample of 100 private healthcare organisations in Greece. A total of 25 usable questionnaires were received, representing a response rate of 25 percent. The survey instrument focused on the extent to which private healthcare organisations outsource services, the decision-making process for choosing an external service provider, the impact of outsourcing, and the future trend of outsourcing.

**Findings** – Private healthcare organisations in Greece outsource a variety of activities. Cost savings, customisation, and customer satisfaction are the main factors affecting the outsourcing decision. The cooperation with a contract service provider has led to an improvement in customer satisfaction and to a cost reduction. Most users are highly satisfied with the performance of these companies and believe that there will be a future increase in the usage of these services.

**Practical implications** – The paper provides a framework regarding outsourcing in private healthcare organisations.

**Originality/value** – This research fills the gap in the area of outsourcing in private healthcare organisations in Greece.

**Keywords** Outsourcing, Health services, Private sector organizations, Greece

**Paper type** Research paper

### Introduction

This research note presents the major findings regarding outsourcing in private healthcare organisations in Greece. Based on a predecessor paper titled “Outsourcing in public hospitals: a Greek perspective”, which was published in Issue 1 of 2006, a study was carried out to investigate the extent of outsourcing, the decision-making process, the impact of outsourcing, and the future trend of outsourcing in private healthcare organisations in Greece.

More specifically, a survey was conducted during September-October 2004. The target population included all private healthcare organisations operating in Greece. 100 private healthcare organisations were randomly selected from the list of all registered private healthcare organisations in Greece. A questionnaire, together with a cover



letter and a reply envelope were mailed to the general manager of each private healthcare organisation. Two weeks after the questionnaires were sent out, reminder telephone calls were made to approximately 30 randomly selected organisations that had not responded. A total of 25 usable questionnaires were received, representing a response rate of 25 percent.

## Results

All respondents indicated that their healthcare organisations currently outsource one or more activities.

### Extent of outsourcing

In addressing this topic, respondents were asked to specify the services most frequently outsourced, the degree of commitment to the services of external providers, the percentage of budget allocated to contract service providers, and the average duration of the contracts signed with these providers. The responses to these issues are presented in this section.

Private healthcare organisations in Greece outsource a variety of activities. Laboratory, cleaning and cafeteria are the services most frequently outsourced. On the contrary, the services that are least outsourced include laundry, food, and clinical/diagnostic equipment maintenance.

The degree of commitment to using the services of external providers varies among the responding private healthcare organisations. Just over half (52 percent) of the respondents indicated that their commitment to the services of contract providers was “moderate” or “extensive”, while the remaining users indicated that the commitment of their healthcare organisations was “limited” or “very limited”.

The degree of commitment is also reflected in the percentage of the budget allocated to contract service providers. About three-fifths of the respondents allocate 5 percent or less of their total budget to these providers, whereas only two private healthcare organisations allocate 15 percent or more of their total budget to such providers.

In terms of formal contracts, all responding private healthcare organisations have signed contracts with their external service providers. Of these contracts, 75 percent have duration less than two years but more than one year, whereas the remaining 25 percent of the private healthcare organisations have signed contracts with duration more than two years.

### Decision-making process

To illustrate the outsourcing decision-making process employed by private healthcare organisations in Greece, respondents were asked to assess the involvement of a number of functional areas in this process, the sources of information regarding contract providers, the importance of a number of factors affecting the outsourcing decision, and the importance of a number of criteria on which contract providers were evaluated. The responses to these topics are discussed in this section.

Regarding the outsourcing decision-making process, personnel from the administrative department are actively involved in the majority of these decisions, followed by personnel from the finance function. A number of private healthcare organisations indicated that personnel from the purchasing and the legal functions are actively involved in this process. Finally, personnel from the nursing and technical

functions are involved in the outsourcing decision-making process in a limited number of responding healthcare organisations.

The most popular way for becoming aware of contract service providers is through sales calls by representatives of these providers. In deciding whether to continue the cooperation with an external service provider, the motivation to outsource must be adequately satisfied by the contract service provider. The main driving forces are cost savings, customisation, and customer satisfaction, which could also explain why service quality, and the price offered by the external providers are the main criteria used by private healthcare organisations for the selection of the most suitable service provider.

### **Impact of outsourcing**

The impact of outsourcing on private healthcare organisations was investigated in terms of organisational impact, benefits, difficulties, and reduction of full-time positions. The responses relating to these issues are discussed in this section.

In the majority of the cases, the respondents view the use of external service providers as having had a significant impact on customer satisfaction, on cost reduction, and on the quality of the services provided by private healthcare organisations in Greece. The benefits realised after the implementation of the outsourcing decision have further explained the relatively high satisfaction level of the users and, hence, the positive development of the private healthcare organisations. Economies of scale and the use of the external provider's infrastructure were the main benefits realised by the users after outsourcing, which greatly satisfy their driving forces initially.

In terms of implementing the decision to outsource, 22 users indicated that they experienced one or more difficulties in bringing contract service providers on-line. The most often mentioned difficulties included the lack of coordination and integration between the healthcare organisation and the external provider as well as the insufficient understanding of the provider regarding the user's operations. Resistance to changes, and price negotiation problems were mentioned by a small number of respondents.

Theoretically, the decision to outsource may lead to an elimination of a number of full-time related positions in the private healthcare organisation. About three-quarters (72 percent) of the respondents indicated that outsourcing has not led to a full-time staff reduction, whereas 16 percent of the users indicated a reduction between 1-10 percent of their full-time staff. Only one healthcare organisation reported elimination greater than 20 percent of full-time positions due to outsourcing.

### **Future trend**

The focus here is on the future plans and concerns of private healthcare organisations in Greece regarding outsourcing, and whether they consider changes in the level and nature of their cooperation with contract service providers.

In Greece, the majority of the private healthcare organisations are satisfied from their cooperation with external service providers, and they believe that this has led to positive developments within their organisations. With a high current level of satisfaction, about three-fourth of the responding organisations predict a moderate or substantial increase of outsourcing in the near future. The reason for this can be found

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in the input measures, which are important determinants of the decision to outsource activities in private healthcare organisations.

### **Differences between public and private healthcare organisations**

In this section, we will show the major differences regarding outsourcing between public and private healthcare organisations in Greece.

- In public hospitals, personnel from the finance and the purchasing departments are actively involved in the decision-making process, whereas in private healthcare organisations personnel from the administrative and finance departments are actively involved in this process.
- For public hospitals, competitive bidding is the most popular source of information regarding contract providers, whereas representatives of contract providers directly contact the private healthcare organisations.
- Respondents in private healthcare organizations argue that the impact of outsourcing on cost reduction was higher compared to the respective argument made by respondents in public hospitals.
- Improvement in service quality levels is the major benefit experienced by public hospitals from outsourcing. On the contrary, economies of scale and use of the external provider's infrastructure are the major benefits from outsourcing mentioned by private healthcare organisations.
- In private healthcare organisations, about 90 percent of the respondents indicate that they experienced one or more difficulties in bringing contract service providers on-line. On the contrary, about 66 percent of public hospitals faced problems during their cooperation with an external service provider.
- Overall, respondents in private healthcare organisations appear to be more satisfied from their cooperation with external providers than respondents in public hospitals.

#### **Corresponding author**

Socrates J. Moschuris can be contacted at: [smosx@unipi.gr](mailto:smosx@unipi.gr)

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