PERFORMANCE AFTER MERGERS IN PUBLIC LOCAL ENTITIES, GOVERNANCE, AND PUBLIC POLICY: INTERNATIONAL EXPERIENCE AND THE GREEK CASE

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How to cite: Chasiotou, A., Kourtesi, S., Lazos, G., & Kafestidis, S. (2025). Performance after mergers in public local entities, governance, and public policy: International experience and the Greek case. In A. M. Gallo, U. Comite, & A. Kostyuk (Eds.), *Corporate governance: International outlook* (pp. 93–96). Virtus Interpress. https://doi.org/10.22495/cgiop18

Received: 04.05.2025
Accepted: 19.05.2025
Keywords: Merger, Performance, Public Sector, Greece
JEL Classification: D02, G34, M49
DOI: 10.22495/cgiop18

Abstract

The process of merging functions for organizations, whether in the private or public sector, serves as a vehicle for external growth and serves as a strategic choice that can improve their competitiveness and affect their governance (Healy et al., 1992; Cartwright & Schoenberg, 2006; Golubov et al., 2013; Liu et al., 2024). Additionally, mergers frequently result in considerable structural transformations within the organizations that undergo them, and they often draw both domestic and international attention as current events (Rao-Nicholson et al., 2016; Allers & Geertsema, 2016; Berrioategortua et al., 2018).

Furthermore, it is increasingly essential for agile organizations to integrate and take on financially unstable entities, as this approach serves as a vital resource for expansion and aids in tackling everyday challenges, primarily by cutting costs and enhancing the overall quality of products and services offered (Blesse & Baskaran, 2016; Verma & Kumar, 2024). According to the principles of new public management

(NPM), policies from the private sector that may have a positive effect, such as executing mergers, can yield beneficial outcomes in public sector organizations (Jansen, 2008; Giovanis & Chasiotou, 2023, 2024, 2025). Therefore, mergers within public sector entities could result in heightened productivity and lower costs, while also improving the delivery of services and products, as it is stated that happens in the private sector (Tampakoudis & Anagnostopoulou, 2020; Pazarskis et al., 2022; Pazarskis et al., 2023; Tran & Dollery, 2021).

This study employs financial statement analysis and the extraction of public accounting data to explore the course of various local governments in the public sector following mergers (Kenk & Haldma, 2019; Bessho & Hirota, 2023). The methodology utilized from public accounting in this research has been formulated based on previous studies that have applied these research tools in the past (Bellas et al., 2010; Smaraidos et al., 2014; Turley et al., 2015; Turley et al., 2020). The sample under examination includes the twenty-five largest municipalities in Greece, ranked by total revenue collected (over 50 million euros) after the mergers initiated since the start of 2011, according to the "Kallikratis" program. Lastly, the quantitative variables incorporated were partly derived from the earlier study by Pantelidis et al. (2018) concerning Greek municipalities.

Based on the results obtained, although state funding as a public policy was limited to 30% in the period from 2011 to 2018, the total revenues of the organizations did not decrease by a corresponding percentage but by 10% in 2015, while in other years, such as 2018, they increased marginally. Finally, at the level of effective governance, the autonomy index based on the ability of each entity to have financial management without great dependence on the central government improved significantly by up to 30% from 2011 to 2018.

The present study has various limitations. Firstly, it pertains solely to public sector entities related to local government, excluding other public policy domains. Additionally, it depicts a specific situation at a particular moment while analyzing data from just one country, Greece.

Lastly, future research suggestions from this study might include exploring data from other public sector entities in Greece or assessing data from different periods. Moreover, other datasets could be analyzed and compared between Greek public sector entities and those from different countries, either in the same or different periods.

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