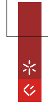

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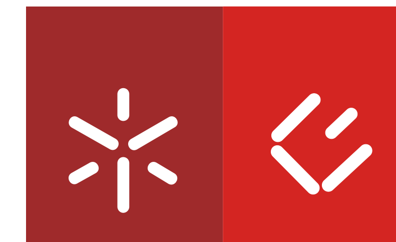

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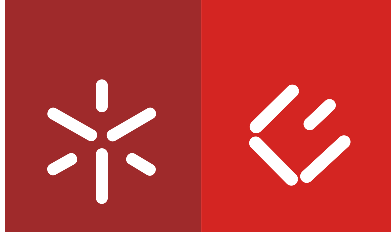

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Good Governance Practices and Information Disclosure in Portuguese Public Enterprise Entity Hospitals

Master in Accounting

Study performed under the orientation of
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January 2014

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Título da Dissertação de Mestrado: Good Governance Practices and Information Disclosure in Portuguese Public Enterprise Entity Hospitals

Mestrado em Contabilidade

Orientadoras

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É AUTORIZADA A REPRODUÇÃO PARCIAL DESTA DISSERTAÇÃO APENAS PARA EFEITOS DE INVESTIGAÇÃO, MEDIANTE DECLARAÇÃO ESCRITA DO INTERESSADO, QUE A TAL SE COMPROMETE.

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Assinatura: ____

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There are more things in heaven and earth,
Horatio, than are dreamt of in your philosophy
W. Shakespeare in *Hamlet*

Good Governance Practices and Information Disclosure in Portuguese Public Enterprise Entity Hospitals

Abstract

Health rendering entities are fundamental in every country and encompass an important share of every state's economy. The theoretical revolution propitiated by New Public Management and Public Governance studies has led governments to act in order to endow public owned entities of mechanisms of accountability through mandatory information disclosure, among others.

In Portugal, keeping with international trends, the movement towards better governance followed a path of institutional pressure originated in legal provisions stating mandatory abidance. Through the last 30 years successive Portuguese governments have implemented changes in State-owned entities in general and in public enterprise entity hospitals in particular, aiming at pursuing the best practices regarding good governance.

This study leads us through the evolution in New Public Management and Public Governance in order to frame the Portuguese adoption of good governance principles in State-owned entities. It lays down the different legislation issued by Portuguese governments regarding health rendering services and their governance practices.

Through multiple case studies, ten hospitals' annual reports were analysed regarding principles of good governance disclosure, in a timeline of six years (2006-2011), it aims at understanding the drivers of change in information disclosure behaviours in the National Health Services under the light of institutional theory combined with Oliver's model (1991) of strategic responses to institutional pressures.

The study demonstrates that the adoption of the disclosure requirements was progressive and that most of the entities seem to have adopted an avoidance strategy, pretending compliance with the legal requirements in the light of Oliver's model instead of a full compliance. The strategic response adopted allows concluding that entities appear to be more concerned with apparently fulfilling legal demands than with actually meeting them in what can be described as a ceremonial compliance.

Keywords: Corporate governance, Public enterprise entities, Hospitals, Information disclosure.

Práticas de Bom Governo e Divulgação de Informação por parte dos Hospitais Públicos de Gestão Privada Portugueses

Resumo

Os Hospitais, sendo entidades prestadoras de cuidados de saúde, são fundamentais em todos os países e representam um setor fundamental do Estado. A revolução teórica propiciada pela *New Public Management* e pela *Public Governance* conduziram a que os governos agissem de forma a dotar as empresas detidas pelo Estado de mecanismos de *accountability* através, nomeadamente, da publicação de legislação sobre divulgação de boas práticas de governo das sociedades. Em Portugal, em consonância com a tendência internacional, o movimento de implementação de boas práticas de governo das sociedades seguiu um caminho de pressão institucional com origem em legislação de cumprimento obrigatório. Nos últimos trinta anos, os sucessivos governos portugueses implementaram mudanças nas entidades detidas pelo Estado, em geral, e nos hospitais entidades públicas empresariais, em particular, com o objetivo de estimular as melhores práticas de governo das entidades.

Este estudo apresenta a evolução da *New Public Management* e da *Public Governance* com o objetivo de enquadrar a adoção em Portugal de princípios de bom governo nas entidades detidas pelo Estado, especialmente nas entidades prestadoras de cuidados de saúde. É apresentada a evolução em termos normativos do Serviço Nacional de Saúde e suas práticas de bom governo. Com recursos a estudos de caso múltiplos, são analisados os relatórios e contas anuais de 10 hospitais entidade públicas empresariais, com o objetivo de averiguar de que forma evoluiu a divulgação das práticas de bom governo ao longo de seis anos (2006-2011). Esta análise é efetuada à luz da teoria institucional combinada com o modelo de Oliver (1991) de respostas estratégicas a pressões institucionais.

O estudo permite concluir que a adoção dos requisitos de divulgação foi progressiva e que a maioria dos hospitais terá adotado uma estratégia de ilusão, aparentando o cumprimento com as disposições legais, à luz do modelo de Oliver, em lugar de uma completa adoção dos requisitos legais. A estratégia adotada permite concluir que as entidades parecem estar mais preocupadas em aparentar o cumprimento da lei do que no seu efetivo respeito, o que pode ser visto como uma adoção cerimonial das disposições legais em vigor.

Palavras-chave: Governo das sociedades, Entidades públicas empresariais, Hospitais, Divulgação de informação.

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Abbreviations

CAHS – Central Administration of Health Services

MCR – Ministries' Council Resolution

MoU – Memorandum of Understanding

NPG – New Public Governance

NPM – New Public Management

OECD – Organisation for Economic Co-operation and Development

PASH – Public Administrative Sector Hospital

PASHs – Public Administrative Sector Hospitals

PEE – Public Enterprise Entity

PEEs – Public Enterprise Entities

PEEH – Public Enterprise Entity Hospital

PEEHs – Public Enterprise Entity Hospitals

RHSA – Regional Health Services Administrations

SOE – State-owned Entity

SOEs – State-owned Entities

Good Governance Practices and Information Disclosure in Portuguese Public Enterprise Entity Hospitals

1. Introduction

1.1. Motivation and Scenario for Research

State-owned Entities (SOEs) represent a fundamental part of the state's economic activity and have been harshly criticized regarding performance indicators and management practices. These critics have been even more accentuated when referring to Public Enterprise Entity Hospitals (PEEHs) integrating the Portuguese National Health Service (NHS) (Barros & Simões, 2007). For this reason it is fundamental that SOEs, particularly PEEHs, adopt governance models that allow an adequate management able to fulfil the desired objectives. As such, it is essential to create adequate information disclosure mechanisms (among others). This information disclosure will allow government structures and entities' performance to be object of greater attention from the stakeholders in general (Guthrie & English, 1997).

Recent efforts made by government towards the adoption of good governance practices in public administration have reinforced the high quality information disclosure necessity so that management's behaviour can be better perceived. These efforts have also been reflected in PEEHs' governance practices (Barros & Simões, 2007). During the last decade several changes were introduced within the legal framework of Portuguese SOEs in what concerns good governance practices, such as Ministries' Council Resolution (MCR) No. 49/2007, 28 March, and public manager's new regime (Decree-law No. 71/2007, 27 March). This process has followed international movements to increase good governance practices in public entities of which are examples the Cadbury Report (issued in 1992), the OECD Principles of Corporate Governance (issued in 1999) and the OECD Guidelines on Corporate Governance of State-owned enterprises.

Given the difficult financial period that Portugal is facing and the need to inculcate transparency, responsibility and accountability by public entities, it is important to analyse how the changes of the legal framework, concerning good practices, have influenced the disclosure of these subjects by hospitals, in particular PEEHs. As such, the study on how emanated laws regarding good governance in Portugal have reflected on PEEHs' governance practices is imbedded with relevance and actuality, given their importance and proximity to the population.

1.2. Objectives and Research Questions

The main objective of this research is to analyse in which way state regulations on good governance in Portugal have determined PEEHs behaviour namely regarding information disclosure. Consequently, it intends to answer the following question: How did Portuguese legislation efforts on good governance principles influence the information disclosure in PEEHs?

Due to the complexity of this departure question it can be divided in the following three sub questions:

- What is the legal framework of good governance principles applicable to external reporting in PEEHs?
- Which are the consequences of this legal framework in the external reporting of the PEEHs?
- In which way did the PEEHs institutionalize this legal framework in their financial reporting mechanisms?

1.3. Research Method

Given the objective of this study and the main research questions, an exploratory, interpretive study will be conducted where the information disclosure of 10 PEEHs will be analysed during the period from 2006 to 2011. These hospitals were chosen by a size criterion that is, the five hospitals with higher revenue and the five hospitals with the lowest revenue in 2011. The information was obtained through the analysis of the financial statements of the hospitals comprising the PEEHs universe in Portugal and their relative weight in the PEEHs consolidated financial statements of 2011 and a content analysis developed and interpreted through the lenses of institutional theory (DiMaggio and Powell, 1991), and particularly, the strategic responses to institutional pressures as developed by Oliver (1991). The period of analysis was chosen given the fact that the legal provision on which the study is based upon (MCR No. 49/2007, 28 March) was published in 2007 and

ends in 2011, since the accounts for 2012 of the selected hospitals were not available when the data were collected for the research.

1.4. Expected Contributions

This research aims to contribute to the increase of knowledge regarding public enterprise entities' governance disclosure practices in health services. Also, it intends to increase the literature on hospital governance practices and to open perspectives for further research in this field.

By bringing together the several legal dispositions that frame the NHS in Portugal, regarding governance, this study may be useful for a better understanding of the state of the art in hospital governance nowadays.

Additionally, it is expected to enhance the knowledge of regulation bodies on the needs for future legislation on public sector governance issues.

1.5. Structure of the Study

This study is divided in six chapters. The first chapter lays down the pertinence of the issues regarding PEEHs' information disclosures, the research questions, the objectives of the research, its importance, contributions and structure.

The second chapter begins with a brief history of New Public Management (NPM) and its reforms and proceeds to develop a literature review on NPM issues and on previous studies regarding corporate governance in public services especially in public hospitals. This literature review aims at focusing the problematic of information disclosure regarding good governance practices to support the development of this study.

Chapter three is dedicated to the research methodology used to perform this study. In it institutional theory is outlined as a mean to explain PEEHs' behaviour regarding the adoption of good governance practices with a special emphasis in the mimic strategy of "doing what others do", adapting Oliver's model (1991). It will also be laid down the data collection chosen to analyse PEEHs' adoption of good governance principles.

In chapter four, is set out the characterization of the Portuguese NHS, as well as its legal framework and evolution.

Chapter five is dedicated to the empirical study. In it is made a brief history of the entities chosen for analysis. Also, an analysis of the entities disclosures and their evolution is laid out and related to the legal provision chosen to be studied. Last, is presented a discussion and analysis of the results.

Finally, chapter six presents the study's conclusion, its contributions, limitations and possible leads for further researches in this field.

2. Literature Review

The present chapter is organized in two sections. The first section comprises the literature review on NPM and Corporate Governance, namely, NPM and governance principles, Public Enterprise Entities in NHS and governance practices, and a summary of previous studies regarding Hospital Corporate Governance. The second section provides a review of studies regarding the pressures in organization changing pressures, in particular a review of institutional theory and of strategic responses to institutional pressures is provided.

2.1. New Public Management and Public Governance

In order to understand the connection between the NPM and Public Governance it is important to make clear how NPM has influenced governance principles.

2.1.1. New Public Management and Governance Principles

According to Hill and Lynn (2009), public management is the process of ensuring that the achievement of lawful public policy goals is assured by the correct allocation and use of resources. This broad definition allows perceiving the multi dimensions that the concept enfolds.

For the greater part of the 20th century, public management and public administration were mixed concepts and only in the 70's, with the changes in how government was managing its responsibilities (Heinrich, 2011) did it become evident that there was a realignment of the management practices, from a more hierarchical an legal trend to a more professional and performance directed management.

Since the 70's, a new term came into fashion, *governance*. This term has been used in the last decades as a more inclusive concept enfolding both public administration and public management. According to Heinrich (2011), governance is the exercise of authority, public or private regarding collective action and comprises formal and informal

relationships between economic agents in a way that widens public management trends aiming at decentralization and emphasising accountability.

During the second half of the 20th century, changes took place both in public institutions and in public management theory, that clearly made the existent corporate governance unadjusted (Lane, 2000). NPM arose from these changes and had its origins in Anglo-Saxon countries (firstly in the United Kingdom and the United States and, progressively, by Australia and New Zealand) having been later adopted by other countries (Groot & Budding, 2008).

NPM comes into being as a discussion over the state's necessity to leave some activities to private initiative or, at least, create new management models based upon private management (contracting) and was influenced by several theories, such as public choice theory and agency theory, among others, and is turned to rational management and economic efficiency increase (Gomes, Oliveira, Costa & Soares, 2011; Gruening, 2001; Groot & Budding, 2008). NPM reforms have been implemented in diverse ways in different countries. While Anglo Saxon countries provided fertile ground for NPM (by their parliamentary systems' features), Scandinavian countries, with more complex parliament conditions, not rarely with coalition governments, were more reluctant in implementing the reforms (Christensen & Laegreid, 2007).

The dawning of NPM reforms had its roots in several factors ranging from economic to social. Common features to the countries implementing NPM reforms were economic and fiscal crisis which enhanced the urgency to cut down costs in public services rendered and contributed to the discussion of the role of the state which was increased by the welfare state crisis (Larbi, 1999). The rise of Neoliberalism ideas in the 1970s, the information technology evolution and the use of international consultants are usually pointed out as other causes for the NPM reforms. In developing countries, lending constraints and the increasing weight of good governance has also been stressed out as key factors for NPM reforms.

The reforms in NPM shifted the emphasis from public administration to public management (Lane, 1994). As such, one of the main features of NPM reforms has been the adoption by the public administration, from education to health, of organization and governance models typical of the private sector (Clatworthy, Mellet & Peel, 2000),

namely, regarding management models, entrepreneurial spirit and accountability impact in administrative procedures, which compels to the adoption of high transparency standards (Lapsley, 2008).

These reforms have led to a revolutionary change both in the manner of delivering social services and accounting for government expenditures and in the structures of governance (Tolofari, 2005). They aimed at the application of business management theories and practices, characteristic of capitalist models, in public service administration, such as, rationalization, efficiency, accountability, transparency and output orientation (Correia, 2011). NPM is often mentioned together with 'governance', in which "governance is about the overarching structure of government and the setting up of overall strategy, while NPM is the operational aspect of the new type of public administration" (Tolofari, 2005, p. 75).

NPM provides a diverse set of choices rather than a single option, which have been summarized by many authors (Hood, 1991, 1995; Pollitt, 1993; Dunleavy & Hood, 1994), comprising, as stated by Manning (2001, p. 299):

> …a management culture and orientation that emphasize the centrality of the citizen or customer, and accountability for results. Then there are some structural or organizational choices that reflect decentralized authority and control, with a wide variety of alternative service delivery mechanisms including quasi-markets with newly separated service providers for resourcing from the policy makers and funders. The market orientation is further shown in the emphasis on cost recovery and in the competition between public and private agencies for the contract to deliver services.

According to Tolofari (2005, p. 83), as main characteristics of NPM, we can highlight: large-scale privatisation, corporatisation and commercialisation; processes of managerialism and marketization; a shift from maintenance management to change management; parsimony: cutting costs and applying only the least necessary amount of resources with the aim of achieving the maximum utility possible; a shift from input controls to output and outcome controls; the creation of quasi-markets and greater competition; devolution/decentralisation; disaggregation and tighter performance specification.

NPM in healthcare services features are lined up with NPM main characteristics since they have implied, as highlighted by Simonet (2008), greater reliance on market

forces, a stronger demand for organizational performance, fostering greater accountability and transparency from providers, increasing patient financial responsibility, looking for savings, increased concerns about services quality, using contracting-out, a decentralization of decision and greater citizen participation (Simonet 2008).

Notwithstanding the success of NPM, many governments still have several elements of traditional public management which makes it too soon to conclude on the unsustainability of the traditional public management (Christensen & Laegreid, 2007).

There is little doubt that NPM has been in the centre of attentions both in scholarly and in practice ways. And it is commonly accepted that it contributed to increased accountability and responsibility in government services in an enterprise like manner (Hatry, 2010). Albeit this goodness, there are three major weaknesses pointed out at NPM, which are: the inexistence of a common denominator (like return on assets or profit) as in private owned companies; the existence of several structures of authority in the public sector (that difficult the setting out of a linkage between objectives and performance measure indicators); and the political nature of NPM that uses administrative measures to solve political problems (Bao, Wang, Larsen & Morgan, 2013).

These criticisms have led to a countermovement both in academic and practice commonly called New Public Governance (NPG), which has brought the political values to centre stage. This term was first used in academic works in 1998 (Toonen, 1998) and is generally used to describe new governing structures and processes used by government to promote the common good (Larsen, 2008; Osborne, 2010). As such, NPG has emerged from NPM as a distinctive set on its own and has three main features which were undervalued by NPM. These features comprise: value centred NPG (increasing the state's goals to the promotion of common good); the importance of government processes that facilitate implementable measures; and the creation of public good as a common process where public, private and non-profit sectors cooperate (Bao *et al.*, 2013). These features are underlined by the fact that government performance is measured in a political context where those three activity sectors work towards the same ending.

After the first two decades of NPM reforms, we assist nowadays to a post reformist movement (post NPM) that defines itself not by the replacement of NPM reforms but by their revision and complement (Pollit, 2003; see also Lapsley, 2008).

Since the late 1980s, good governance has been in the centre of discussion for NPM reforms since accountability and costumer concerns have been considered as good governance features by international organisations. For some authors, governance is the New Public Management (Frederickson, 2005) and, in this way we can relate the two concepts and perceive the attention paid by international organizations to good governance.

In 1992, the World Bank considered necessary for good governance several elements, such as can be detailed as follows:

- Effective financial and human resource management by severing inefficiency (mainly in SOE) through better budgeting, accounting and reporting;
- Attempting to make public sector officials accountable for their performance and, more consumer-sensitive. This implies the increase of accountability in public institutions, as well as, improved accounting, auditing and decentralization;
- A well-functioning juridical, legal framework that enables the economic agents to take accordingly rational decisions;
- A developed and transparent information system, that may reduce the risk of corruption by enhancing public discussion and analysis; and
- Organizational reforms aim at improving public hospitals governance changing and bettering objectives, supervision and environment related mechanisms. (Raposo, 2007).

Regarding public sector governance, it can be said that traditional governance lies in the fact that the State takes up several roles in providing goods and services to the population. Modern corporate governance sets apart these roles and the State does not operate directly in governance but through agents that manage public sector in its name (Lane, 2000).

According to Lane (2000), in modern corporate governance of SOEs, State and managers operate on demand's side having as opponents several suppliers that procure government contracts. Modern governance allows these suppliers to be equally treated, that is, those who present the lowest prices should be the selected ones, *ceteris paribus*. Thus, NPM lies in the agency theory in which the State is the principal and public managers are its agents.

The traditional public company structure is disappearing due both to deregulation and globalization. Financial scandals, the relation between corporate governance and economic development, and the way in which it affects both growth and development (Claessens, 2003) have contributed to a sustained movement of recommendations' issue and good governance practices. This movement was based upon the idea that voluntary rules are preferable to legal mandatory dispositions regarding market trust recovery (Silva, Vitorino, Alves, Cunha & Monteiro, 2006).

Even though these good governance codes were directed primarily to public entities their promoters considered the extension of their adoption by all the companies, State-owned included as desirable. Globally, the legislation effort was significantly influenced by world reference texts.

Besides the Cadbury Report (Cadbury Committee, 1992), pioneer of this code movement there were also the "Principles of Corporate Governance" issued by the Organization for Economic Co-operation and Development (OECD), initially in 1999 and updated in 2004 (OECD, 1999, 2004). OECD has recently enlarged these principles to the State's role as shareholder and to SOE, issuing recommendations in order to organize and disclose good governance practices (OECD, 2005).

The main question at public sector governance level regards in how the public manager's sense of duty leads him to defend States' interests (Bertelli, 2012). By this it is understandable the adoption of private companies' good governance principles in SOEs.

2.1.2. Public Enterprise Entities in NHS and Governance Practices

Hospitals are extremely complex organizations (Glouberman & Mintzberg, 2001a, 2001b), representing the most complex human organization ever attempted to be managed (Drucker, 1989). Of the several kinds of existent organizations, hospitals represent the most intensive resources consuming – human, capital, technological – entity, needing for that of a management framework encompassing a professional team of managers. At the same time it plays a fundamental role in society by rendering healthcare services.

Hospitals are organizations with unique features (specific form of ownership, lack of the principle of profit maximization, replacement of shareholders by an expanded

diversity of stakeholders, less transparency and greater difficulty in evaluating the results of their transactions, and the locus of the decision-making process itself is much more diffuse) not allowing the direct adoption of the principles and codes of good corporate governance without specific adjustments (Raposo, 2007).

One of the definitions for corporate governance considers that this terminology describes all the influences affecting institutional processes, including those related to controllers/regulator designation, involved in production and goods/services sales organization (Turnbull, 1997). Similarly, we may consider that hospital governance can be defined as the group of structures and processes which define the hospital's strategic orientation (mission, vision, values, objectives) and the forms in which resources (human, technological, political and financial) are organized and allocated in order to meet the strategic guidelines (Rice, 2003).

In several articles regarding hospital governance in Canada, governance arises as a board of directors' exercise of authority, management and control over the hospital (Hundert & Crawford, 2002a, 2002b; Hundert, 2003; Hundert & Topp, 2003). These authors believe that the fundamental responsibilities of governance are: (1) to define the objectives and the principles which will guide the hospital; (2) to insure and monitor hospital services' quality; (3) to assure tax compliance and the hospital's continuity and (4) to organize and prepare the means to supervise the hospital's management effectiveness.

When health care services are at stake, governance cannot be viewed without considering social responsibility and ethical factors. The provision of health care services must be associated with a corporate social responsibility that implies a common benefit, such as providing high quality services to everyone entitled to it (Brandão, Rego, Duarte & Nunes, 2012). This means the adoption of determined behaviour by management, which can mean simple law conformity or taking a step towards a more active action and adopting also moral behaviours, such as environment protection and reverse discrimination policies. The accomplishment of corporate social responsibility is dependent of the governance model adopted. Law may enhance new governance models but, in itself, is insufficient to assure social responsibility. Legal provisions only indicate the route to be followed, but there are many aspects that supersede them, such as promoting costumers satisfaction and community actions (Brandão *et al.*, 2012).

Hospitals, more than economic concerns, have social goals that comprise, among others, the delivery of high quality health services, promotion of social equity and a safer environment. Corporate governance supplies the framing for both the economic and social dimensions of these entities. Traditionally unsustainable in an economic sense, hospitals have gone under NPM reforms in an attempt made by governments to save the welfare State. The corporatisation of hospitals intended to embody private practices, considered more efficient. Among these practices appears social responsibility, so it can be assumed that, by adopting private practices, hospitals also adopt social responsibility obligations.

In this context, hospital governance can be divided in three perspectives: corporate governance, clinical governance and non-clinical supporting elements (Brandão *et al.*, 2012), being corporate governance the basis for the other two. In order to accomplish performance and social responsibility objectives, modern hospitals usually develop internal and external control systems organized to ensure the accomplishment of those objectives. Good governance implies the existence of several instruments such as performance indicators, ethics codes and acquisitions' procedures that to ensure accountability should be fully disclosed. As such, good governance may be seen as an instrument to prevent bad management practices and unethical behaviour.

In Portugal, the corporatization of public hospitals began in 2002[1], when 31 hospitals belonging to the public administration were transformed into public companies as a result of a new regime for hospital management' approval. The objective was to reform hospital management, modernizing management features, maintaining, however, the social responsibility of the State.

In 2005, this process moved forward with the adoption of a new designation for these hospitals, PEEHs[2], withdrawing the intention of privatization from the political agenda. This measure was based upon the premise that the legal form of PEEH is best suited to the pursuit of a better level of institutions' functioning.

Portuguese hospital's corporatization was contextualized in a wave of reforms that had taken place in other countries previously within the NPM reforms and lied down in the implementation of an hospital management reform, maintaining, however the States'

[1] Law No. 27/2002, 8 November.
[2] Decree-law No. 233/2005.

responsibility in health services' rendering (Gomes *et al.*, 2011). Furthermore, the adoption of good governance principles by Public Enterprise Entities (PEEs) reflects the late issue of good governance codes which was only initiated in 2007 even though the private sector had already some tradition, namely through the recommendations of *Comissão do Mercado dos Valores Mobiliários* [Portuguese Securities and Exchange Commission] (CMVM).

With the corporatization, what changed were essentially the ownership structure, the contract policy's flexibility and human resources recruitment, as well as the development in information technologies. Deep inside most of the PEEHs kept their organization scheme unaltered both regarding governance models and internal structure (OPSS, 2006). In this context, hospitals corporatization has allowed the implementation of control and supervision mechanisms that may create the basis for effective hospital governance and for hospitals' development, chiefly by creating higher levels of transparency and accountability.

Change in governance models aims at bettering the responsibility and quality of financial reporting as well as the transparency and efficiency of the management boards. Most of the evidence has its roots in the private sector, based upon the Anglo Saxon governance system and focus mainly on indicators for management board's performance, which can be isolated in three main aspects: power structure; composition; and scope of action (Daily & Schwenk, 1996; Johnson, Daily & Ellstrand, 1996). The question to be answered, bearing in mind that the analysis is made in an entrepreneurial perspective, is how to consider its implications in healthcare services.

Corporatization and good governance codes are two realities that walk side by side. Corporatization introduces new models of governance in public institutions allowing passing from a substantially administrative and bureaucratic model to an "enterprise" model which adopts private sector management methods. The adoption of good governance principles focuses on the assumption of ethical postures and behaviours, fundamental to a management lined with the effective interests of shareholders and stakeholders in general. The adoption of good governance principles in PEEs is inserted in the movement of corporate governance and the issue of good governance codes.

In Portugal, in 1999 and later in 2001, 2003 and 2005, CMVM issued several recommendations regarding corporate governance addressed to public companies (CMVM, 2005). These recommendations aimed at contributing to the optimization of companies' performance favouring stakeholders. In 2007, according to this attempt of efficiency increase, and admitting to some extent insufficiency of thought as to the role of the State while shareholder, the Portuguese government issued the new public Manager's Regime (Decree-law No.71/2007, 27 March), the Principles of Good Governance for PEEs (Ministries' Council Resolution (MCR) No.49/2007, 28 March) and altered the legal regime of PEEs and SOEs in order to reflect governance issues (Decree-law No. 300/2007, 23 August).

Corporatization and the adoption of good governance practices (namely, the publication of the new public manager's regime), the publication of the PEEs good governance principles, the change in the PEEs and SOEs' regime and the establishment of an evaluation committee for PEEHs aim at promoting hospital governance and public hospital with good governance principles. The new public manager's regime intended to implement a modern regime that enfolds every SOE, regardless of its legal form and to clearly define the notion of public manager, the way management should be exercised and the rules by which it should abide, and to regulate the nomination, performance and resignation of public managers.

This statute brings together the public manager to the private manager, giving enhanced relevance and development to the incompatibilities' regime, performance evaluation, remuneration's policy, social benefits and ethical rules and international corporate governance practices, as well as transparency.

As stated, good governance principles in PEEs arise from the admittance by the State, as stated in MCR No. 49/2007, 28 March, that, regarding the State's role as shareholder, there are few guidelines in governance practices disclosures. As such, from this diploma stand out both principles committed to the State in itself as well as principles committed to PEEs, regarding: (1) mission, objectives and general performance principles; (2) board and supervising bodies' structures; (3) remunerations and other benefits; (4) conflict of interests' prevention; and (5) relevant information disclosure. This last determines that all the information related with goof governance principles should be

disclosed through an internet site ("*sítio das empresas do Estado*"), to be created by the General Directorate of Treasury and Finance (*Direção Geral do Tesouro e das Finanças).*

These measures intended to encourage PEEs to have governance models that allow them to obtain high performance levels and, along with the good examples given by private initiative companies, contribute to the spreading of good governance practices.

In May 2011, with the signature of the Financial and Economic Assistance Program between Portugal, the European Union, the European Central Bank and the International Monetary Fund, arose an additional demand regarding PEEs obligations which must take place through the reinforcement of the Governance model (*Princípios de Bom Governo*, 2012). The Memorandum of Understanding (MoU), then signed, establishes the creation of a PEEs governance model in conformity with the best international practices, including the evaluation of shareholder's duties embodying the Finance Ministry of a decisive role regarding the financial matters of PEEs, thus contributing to the reinforcement of the supervision of Public Administration over PEEs.

In this view the MCR No. 49/2007, 28 March, is vested of significant relevance once it has defined good governance principles directed both to the State and the PEEs. There is a special focus on transparency, risk control and conflict of interests' prevention promoting efficiency in governance. At this level, PEEs face several challenges, among which the severity in management, and, to address this, the Portuguese government carried out, in 2012, the reform of the legal regime of PEEs, with reflexions on governance models, increased transparency, information's disclosure and increased demands on objectives' compliance.

The changes have been considerable in the last decades stimulating the development of research on the topic.

2.1.3. Previous Studies Regarding Hospital Corporate Governance

In this section, a brief review of previous studies concerned with public sector governance, namely in healthcare services, will be presented.

As previously mentioned, most of the evidence regarding public sector governance studies has its roots in Anglo Saxon studies. Hence, in 1995, Ferlie, Ashburner and Fitzgerald, in an article on governance in the British NHS (Ferlie, *et al.*, 1995), have analysed the impact of reforms made by the government in the beginning of the 90's on governance in the public sector. In this study, which did not focus in governance's financial aspects, mail inquiries were made to several NHS institutions as well as corporate documents analysis and interviews to regional and district healthcare institutions representatives. The authors have concluded that NHS reorganization, conducted through government reforms in the 90's, has led to a management's efficiency increase, measured by increased level of meeting attendance and board downsizing, as well as higher qualified non-executive board members. On the other hand, the authors have identified some fragilities in the fact that there were no "downwards accountability" mechanisms but only upward accountability informal mechanisms by the fact that board members fear not to be reappointed in their mandates.

Clatworthy, Mellet and Peel (2000) have made a comparison between corporate governance mechanisms in private held companies and British NHS institutions in 2000. The adoption of an enterprise model of corporate governance by NHS, with similar obligations such as financial reporting in accordance with generally accepted accounting principles, that includes a balance sheet, a profit and loss statement and a cash flow statement, duly audited, allows the comparison between these two different realities (public versus private). NHS entities are managed by boards that are evaluated on a service performance basis. As such, NHS is an example of management in light of NPM reforms and, in this context, allows the comparison with private held companies. Regarding financial information disclosure, NHS has adopted the existing rules in the private sector (with the difference of profit and loss statement, where the NHS institutions prepare a statement based upon expense and income instead of profit and loss), extending this adoption to a management's report (Clatworthy *et al.,* 2000). Notwithstanding, whereas in private held companies managers are supposed to maximize the shareholders return, in NHS there are no results' based objectives existing only break even (between income and expense) goals, return on assets levels and respect for an agreed upon level of expense. The level of compliance with these objectives must be disclosed in annual reports and, in case of noncompliance, a detailed review of the organizations performance is made.

These authors have concluded that conceptual differences between private and public sectors difficult the adoption of a sole governance model by both. This can be better perceived in the NHS, because healthcare services have a duty towards their clients (population in general) that does not exist in private sector.

Regarding governance in hospitals in New Zealand, Barnett, Perkins and Powell (2001) have analysed the health system reform in that country. In 1990, the New Zealander government carried out a restructuration of hospitals that, with a high managerialist trend, reformed health service providing entities. As a result, hospitals became more enterprise alike with a sole shareholder (the State). The shareholders' interests were defended by a counselling unit that focused its analysis on financial indicators.

These authors have supported their study in stakeholder theory because it allows the incorporation of several points of view (Barnett *et al.,* 2001) and by the fact that there are several stakeholders interested in hospital governance. The authors then selected the stakeholders related with corporative interests (State, counselling unit, boards and chief financial executives) and financial analysis indicators (such as return on equity and return on assets) and nonfinancial indicators (such as staff turnover, management's board composition, and inpatient occupancy rate). Following this selection the authors performed an analysis on the counselling unit's reports, conducted a mail enquiry to management board' presidents and interviewed 20 members of the hospital boards and of the counselling unit.

As a result of the study, the authors have concluded that the governance model was only entrepreneurial in form and not in substance, since the results have allowed showing that the health system was underfunded and expectations had been put at the financial performance level instead of the social responsibility level.

Ryan and Ng (2000) have analysed the financial reporting of public state entities in Queensland, Australia. To these authors, the inexistence of a corporate governance framework leads to fragmented financial reporting (Ryan & Ng, 2000). This paper conducts a literature review at corporate governance level and provides an analysis of the information disclosure in a sample of public sector entities' reports. The analysis of disclosure practices allows verifying their agreement with the governance principles. From

the reports of the 20 entities selected the authors only analysed the corporate governance related chapters. These chapters have been analysed through a content analysis of corporate oral and written communication (Riffe, Lacy & Fico, 1998). The authors have identified five disclosure elements at the corporate governance level (leadership, management environment, risk management, monitoring and accountability). Of these five items the most recurrent was monitoring, while the less frequent was accountability. Even though this study has several limitations, as the fact that corporate governance disclosure is many times spread in different sections of the management report, and only corporate governance related chapters have been analysed, it has allowed to conclude that it is necessary a general framework for public sector corporate governance disclosures that enables a structured information disclosure (Ryan & Ng, 2000).

In a study on hospital governance in Norway, Pettersen, Nyland, and Kaarboe (2012) analyse the introduction of new governance models in hospitals questioning the impact of these new models in hospital boards. The authors use normative views on hospital boards framed by agency theory (according to the authors, the international reforms on NHS institutions can be placed within the principal/agent logic since they aimed at protecting the State's interests in order to increase efficiency) and stakeholder's theory (Pettersen *et al.*, 2012). This both qualitative and quantitative research was done through exploratory interviews to Hospital boards' members, legal documents' analysis and follow-up interviews with key decision makers (Pettersen *et al.*, 2012).

The NHS reforms in Norway occurred in the 1970s and begun by transferring hospital ownership to county council as a decentralization measure. The State maintained its interests by controlling the county councils' legal provisions. In the 1990s, increasing deficits and waiting lists led government to recentralize hospitals and, in 2001, they were organized into self-governing state enterprises (Pettersen *et al.*, 2012) under a NPM wave. The hospitals supervisory bodies' functions were the basis for an effective management and as such they had to be carefully designated. Board's composition followed the criteria established in the Hospital Enterprise Act (a 2001 government disposition), which determined that the board's role was to zeal for the shareholder's interests (the State) and to be its instrument in satisfying the needs of the population. As such its members should not be politicians but professionals. Following a political shift, in 2006, the government decided that 50% of hospital board composition should be constituted by politicians.

In recent years, Norwegian government has produced several legal provisions which leave little space for board's decision making, shifting their roles to a stakeholder's perspective therefore enhancing the State's role.

The interviews conducted on board members were divided by respondents in: politicians, staff representatives and professionals outside the medical sector (Pettersen *et al.*, 2012). Their perceptions over the board's scope of action were different, which seems to confirm a stakeholders approach. In fact, most of the respondents consider that the boards have narrow space of decision. The authors conclude that there is a trade-off between the implementation of policies by government and the scope of action of the boards (Pettersen *et al.*, 2012). This resulted of a shift from a principal/agent approach to a stakeholders approach in sequence of a change in boards' composition (when 50% of the boards' members became politicians) (Pettersen *et al.*, 2012). As such, a question arises which is in what way hospital governance may affect performance.

In a study on governance in primary healthcare services in Australia, King and Green (2012) analysed the design of governance systems through general practitioners behaviour in Australian primary healthcare practices (King & Green, 2012). In Australia, primary healthcare practices are mainly committed to private initiative either being owned by doctors or companies and, even though historically management was made by owners, in recent years there has been a trend towards delegation in professional practice managers (King & Green, 2012). Australian government has also entered this market by establishing "GP super clinics"[3] (as they were designated by the Australian government) from 2008 onwards.

The study was conducted upon a combination of interviews and publicly available practice information regarding seven practices across several states in Australia, with the objective of investigating the practices' governance structures and the manager's perceptions of these practices. This study found that governance structures' complexity is directly related with size and ownership spread (the greater the size, the more complex governance). However, this also revealed that more complex governance structures were synonym of higher performance, while small practices with concentred ownership tend to disregard bureaucracy and rules (King & Green, 2012).

[3] General practice super clinics are comprehensive primary healthcare centres which offer extended hours and team-based care (King & Green, 2001).

All these changes in hospitals and their governance structures may be analysed under the light of the pressures exerted over the sector by external forces.

2.2. Pressures in Organization Changing Processes

In this section is provided a literature review of institutional theory and of strategic responses to institutional pressures.

2.2.1. Institutional Theory

Until the 70's in the 20th century, organisational studies were based upon internal operations and, only from that period onwards, did authors begin to study the relation between organizations and external environment (Santos, 2009). Institutional authors focus on the influence of institutional factors as rules, values, traditions, power and internal and external pressures in organization changing processes (Scott, 1995). Among other issues, institutional sociology literature worries with mimic and the reasons why changes in organizations produce isomorphic organizations (DiMaggio & Powell, 1983; Abernethy & Chua, 1996; Ter Bogt, 2008).

Even though it has several definitions in different areas in sociology and organisational theory, institutionalism encompasses a rejection of agent's rationality based models by opposition to a concern with the institutions as independent variables and to a shift to cultural and cognitive explanations (Gomes, 2007). As such, one of the main contributions of institutional theory was supplying explanations that do not reflect agent's rationality focusing on the nature and practices of the institutions (Gomes, 2007).

Organizations are the result of exerted pressures, both internal and externally by environment, and some authors (Meyer & Rowan, 1977 & 1991) defend that any organizations can survive if it does not adjust to surrounding practices, traditions and systems (Major & Ribeiro, 2009).

Policies work as powerful myths and many organizations conform to them as ceremony (ritual) (Meyer & Rowan, 1977) and not as conscientious acceptance of their

need. Many of organizations' behaviours are determined by law, social prestige and public opinion among others. These formal structure elements work as legitimated myths of mandatory compliance regardless of real needs and organization features.

As such, organization structures are created and made more complex with the increase of institutionalized myths that they have to support. This can lead to an estrangement between the organization's activity, its practices and the need to comply with these myths.

One of the arguments favouring this approach is the notion that the more institutionalized is the environment and organizations, the higher efforts will be made by management to keep a certain public image and status sacrificing effective management practices. In other words, there is more effort regarding ceremony level (looking like) than at effective level (being) (Meyer & Rowan, 1977), that can be applied to the analysis of disclosures regarding corporate governance.

As stated above, in institutional theory we can almost apply the "comply or else" principle for corporate governance in the sense that organizations are compelled to comply with external institutional requirements (Guerreiro *et al*., 2012). These pressures work as myths incorporated by organizations as a means to achieve legitimacy, stability and resources. Organizations possess a tendency for homogeneity characterized by Powell as institutional isomorphism (Dimaggio & Powell, 1983), a process that induces an organization to appropriate the same behaviour as other organizations acting in the same environment. This can be obtained by coercive isomorphism (formal or informal pressures made by powerful institutions, such as the State or through cultural expectations from society), mimetic processes (imitations such as processes implemented by consulting firms) and normative pressures (brought about by professions).

Governance builds upon the principle that the capacity of the political system to manage effectively is determined by the nature of institutions (Peters, 2011). One of the most important ways in which governance is influenced by institutions is given by the fact that institutions supply the linkage between structures and processes for governing in the sense that institutions can be featured as decision making processes. As such, law is one of the most basic institutions in society (Peters, 2011) and law driven requirements may trigger wished behaviours from organizations. Governance behaviours can be understood

in light of institutions but these can also be a solution for governance raised issues, that is, institutions may be treated as independent or dependent variables. The present study uses institutions as the independent variable supported by the fact that law determined pressures condition governance responses. These assumptions lead to accept institutional theory as an adequate framework for studying governance phenomena.

Several authors (Linder & Peters, 1990; Salamon 2002; Howllet, 2005) have built on the assumption that policy instruments (such as law) are in themselves institutions since they may determine organizations behaviour (Le Galés, 2011). This assumption will also fundament the present research underlying the thought that laws and regulations in a social guardian State attach a legitimacy which is generated by the imposition of general interests by mandated elected representatives.

2.2.2. Strategic Responses to Institutional Pressures

Institutional theory implies, for some authors (Scott, 1995), that economic agents are obliged to comply with external institutions' demands (such as law originated requirements). In order to comply with external demands, economic agents or organizations may adopt different strategies, as developed by Oliver (1991).

Oliver's strategic response model aids in understanding that organizational choices are driven by other reasons than just economic rationality. She constructed a combined model making use of institutional and resource dependence perspectives in an attempt to demonstrate how entities' behaviour could vary form passive conformity to active resistance as a response to external institutional pressures (Guerreiro *et al.*, 2012). In her model, she developed a summary of strategic behaviours that organizations may adopt as a response to external institutional pressures that range from acquiescence, compromise, avoidance and defiance to manipulation.

Acquiescence comprises tactics of habit, imitation and compliance. This is a strategy of acceptance of external pressures and conformity, as a means to obtain legitimacy. When adopting behaviours of compromise, organisations may consider institutional demands unfeasible and, as such, try to balance levels of compliance with external demands (as a trade-off). This strategy also entails pacifying tactics and

bargaining. The former are an apparent conformity in the sense that organizations tend to comply with several demands in order to appease institutions. Bargaining implies a negotiating attitude towards levels of compliance.

Avoidance is defined by Oliver (1991) as a means to avert the necessity of compliance by concealing noncompliance. This can be achieved by concealment tactics which involve mounting a façade of acquiescence. That is, organizations may engage in a ceremonial of acceptance (Meyer & Rowan, 1977) or symbolic acceptance of institutional norms meaning that appearance is sometimes as important as effective compliance. Other avoidance tactics involve buffering and escape. Buffering consists of reducing the detection of nonconformity by decoupling activities in order to disguise noncompliance (Meyer & Rowan, 1977). Escape is a tactic that implies simply withdrawing the organization from the scope of compliance (by ceasing the activities that may be subject to institutional pressures).

Defiance is a more active form of resistance and it may involve dismissal, challenge and attack tactics (Oliver, 1991). The first of these tactics is usually used when organizations perceive the gains from complying with external pressures as low. It encompasses ignoring institutional pressures. Challenge is an offensive action as an attempt to defend the quality of a certain set of behaviours or beliefs. Organizations may consider that specific external pressures are not being properly directed and, therefore challenge them. Attack differs from challenge in intensity and occurs when organizations believe that external pressures are menacing their survival.

Manipulation is an attempt to change external institutional pressures and is the most aggressive strategic response once it has as objective achieving legitimacy and neutralizing institutional opposition. It encompasses co-option, influence and controlling tactics. Co-option is a tactic that consists of bringing to the entity's "side" an institutional player thus obtaining legitimacy. Influence encompasses the attempt to condition and change the beliefs commonly accepted and lobby to obtain determined results. Finally, control implies efforts to exert dominance over the institutional agents. This is a more fierce response to institutional pressures because it tries to reverse the roles by taking control of the behaviours.

With these five strategic behaviours, Oliver (1991) put forward the conditions that may influence/predict organizational behaviour. She enumerated the factors that limit organizations in their behaviour. As such, responses to institutional external pressures depend on five basic questions: cause (why do external pressures exist), constituents (who exerts external pressure), content (what are these pressures), control (how are external pressures exerted) and context (where do external pressures occur) (Oliver, 1991). Based upon these questions, she established 10 predictive dimensions that can be summarized in Table 1 below.

Table 1: Institutional Antecedents and Predicted Strategic Responses

	Strategic Responses				
Predictive Factor	**Acquiesce**	**Compromise**	**Avoid**	**Defy**	**Manipulate**
Cause					
Legitimacy	High	Low	Low	Low	Low
Efficiency	High	Low	Low	Low	Low
Constituents					
Multiplicity	Low	High	High	High	High
Dependence	High	High	Moderate	Low	Low
Content					
Consistency	High	Moderate	Moderate	Low	Low
Constraint	Low	Moderate	High	High	High
Control					
Coercion	High	Moderate	Moderate	Low	Low
Diffusion	High	High	Moderate	Low	Low
Context					
Uncertainty	High	High	High	Low	Low
Interconnectedness	High	High	Moderate	Low	Low

Source: Oliver (1991, p.160).

From Table 1 above can be drawn the hypothesis that where conformity with institutional pressures anticipates high levels of legitimacy, organizations are more prone to adopt an acquiescence strategic response. In a similar way, when control is exerted by coercion it is expected that organizations will conform to external pressures by adopting a strategic response of acquiescence.

2.3. Summary

This chapter presented a literature review on the evolution of public management and public governance in order to set boundaries to its evolution as far as the present day. Also, it shows a brief summary of NHS composition in Portugal, as well as some examples of previous studies regarding hospital governance, to allow a better understanding of the issues that will be addressed in the research. Finally, the chapter concludes with a review of institutional theory and of strategic responses to institutional theory.

It also sets the departure to the methodology chapter, where the research method and perspective will be drawn in order to frame the empirical study.

3. Research Methodology

This chapter intends to lay down the research perspective and the research method used to achieve the objectives and the means to obtain the answers to the research questions.

As stated previously, the main objective of this research is to analyse in which way State regulations on good governance in Portugal have determined PEEHs' behaviour namely regarding information disclosure. This will be achieved by procuring an answer to the following research question: How did Portuguese legislation efforts on good governance principles influence the information disclosure in PEEHs?

In order to better construct an answer, the research question was subdivided into three sub questions:

- What is the legal framework of good governance principles applicable to external reporting in PEEHs?
- Which are the consequences of this legal framework in the external reporting of the PEEHs?
- In which way, did the PEEHs institutionalize this legal framework in their financial reporting mechanisms?

In an attempt to answer the main research question and the three sub questions this study adopted appropriated methodological perspective, research method and data collection, and theoretical framework, as will be developed in this chapter.

3.1. Methodological and Epistemological Perspectives

With the objective of studying the influence of Portuguese legislation on good governance principles over the external report of PEEHs, this study adopts a qualitative investigation methodology with an interpretative perspective based in institutional theory.

Qualitative investigation is associated with a philosophical posture trying to explain the ways in which social phenomena arise are produced and interpreted. Using an interpretative perspective, it is intended to understand the environment underlying the

financial information and the ways in which it influences and/or is influenced by that environment.

Within an interpretative paradigm, researchers work under the assumption that reality is a social construction that cannot be dealt with independently from the agents that create that reality (Urquhart, 2013). This paradigm considers that data is a part of the theory and facts must be rebuilt in accordance with an interpretative process. In social sciences, theories are mimetically built upon facts and a good theory lies on the understanding of meanings and intentions rather than on deduction. The pertinence of generalization depends, not of statistical inference, but of the reasonability and depth of logical argument used in describing results and concluding over them. Interpretative research aims at understanding, rather than generalizing, the social nature of accounting practices (Vieira, Major & Robalo, 2009).

As such the language used by social sciences is equivocal and constantly adaptive to the circumstances, thus implying that meaning in social sciences is derived from facts, since data consists of documents, intentional behaviour and social rule, among others, inseparable from what they mean to the agents. That is, in an interpretative paradigm, researchers study the phenomena in their social contexts and aim to interpret practices and meanings (Urquhart, 2013). Qualitative research under the interpretative paradigm, as in the present study, means an attempt to understand phenomena through the meanings that people give to them (Myers, 2011).

The choice between the several methods of collecting and analysing data is highly influenced by the nature of the research, by the theoretical positioning of the researcher and the adequacy to the research object. Interpretative paradigm has a subjective nature, involving examination and reflexion over perception in order to better understand human and social activities (Miles & Huberman, 1994; Silverman, 2000; Atkinson, 2005).

In the empirical study performed in the present dissertation the interpretative paradigm has been privileged. Aiming to answer the research questions, the option for an investigation process that does not seek to generalize but to understand the impacts of law driven pressure in the adoption of certain behaviours by hospital management seemed to be the most appropriate (Coffey & Atkinson, 1996; Silverman, 2000; Atkinson, 2005; Diriwãchter & Valsiner, 2006; Eriksson & Kovalainen, 2008).

Researchers in an interpretative paradigm assume a particularly relevant role in the sense that they are subjects and interpret social situations and phenomena (Myers, 2011, p. 39). There is a narrow link between the researcher and the problem in the sense that the social values of the researcher determine the path chosen for the investigation and the researcher becomes himself a producer of the reality he investigates (Vieira *et al.*, 2009).

Interpretative researchers seek to increase people's knowledge of theirs and other people practices by understanding the meanings of their actions, determined by social political and historical contexts, in an attempt to enhance communication and influence (Chua, 1986).

3.2. Research Method and Data Collection

Encompassed within the interpretative paradigm, this study adopts the multiple case studies method (Walsham, 1995). It is important to emphasize that the case studies were selected by theoretical sampling in which a statistical representativeness is not aimed at. In the selection was considered the theoretical relevance arising from the ability to explain the phenomena in analysis (Urquhart, 2013; Laperrière, 2010).

Therefore, to develop this study the financial reports of 10 hospitals, for the period comprised between 2006 and 2011, are used as primary sources of information. The contents of these reports, regarding good governance disclosures, will be analysed having as foundation the theoretical framework provided by the institutional theory drawing upon Oliver's model (1991) in order to answer the research questions. In addition, the successive legislation emanated by the government and other supervising entities in order to put in perspective evolution of PEEHs' governance practices, through the period covered is analysed. Being an academic study, it will be supported in international scientific publications related with the study's theme.

The primary information was obtained by accessing the institutional sites of the hospitals chosen for the analysis, the Directorate General for Treasury and Finance's site and the Central Administration of Health Services (CAHS) site.

The present study aims at determining in what ways PEEHs abided by the successive rules and legislation, namely regarding disclosure obligations as result from the MCR No. 49/2007, 28 March. As such, an analysis was performed on Management Reports of ten PEEHs (the biggest 5 and the smallest 5) through a six year period, as mentioned before, from 2006 to 2011. This analysis was performed upon a matrix of good governance disclosure obligations constructed upon the above mentioned Council's Resolution. This matrix is depicted in Table 2 below.

Table 2: Index of Governance Disclosures

Main areas of disclosure obligations	*Items of disclosure*
Mission, objectives and general principles of conduit	• Mission and the way in which it is complied with • Objectives and level of compliance
Management Board members' identification Management Board members' remuneration	• Listing of all Board Members • Detail of board member remuneration
Internal and External regulations	• Reference to internal regulations in force
Acquisition of goods and services procedures	• Explanation of rules regarding goods acquisition • Abidance with the Portuguese Public Contracting Code
Transactions not performed in arm's length	• Listing of every transaction not performed according to market rules
List of suppliers representing over 5% of total supplies	• Listing of all suppliers in these conditions
Economic sustainability analysis	• Explanation on how the entity intends to achieve economic sustainability namely objectives and indicators
Social sustainability analysis	• Explanation on how the entity intends to achieve social sustainability namely objectives and indicators
Environmental sustainability analysis	• Explanation on how the entity intends to achieve environmental sustainability namely objectives and indicators
Evaluation on the compliance of good governance principles	• Indication of the level of compliance and justifications for any non-compliance
Control of disclosed information	• Indication of the information disclosed and of the reasons for not disclosing all the mandatory information
Ethics Code	• Mention to the approval and enforcement of an Ethics Code
Risk control system	• Detail of the risk control system implemented with risks' identification and mitigating activities
Conflict of interests prevention mechanisms	• Identification of possible conflicts and measures to prevent them

The items in the table above represent a summary of the mandatory disclosures in place for the PEEHs since 2007. Regarding the legal framework, which will be developed

in Chapter 4, the disclosure obligations can be divided in six main areas regarding (1) Mission, objectives and general principles of conduit, (2) Management board and supervisory board structure, (3) Board remuneration and other benefits, (4) Board's independence, (5) Relevant information disclosure and (6) Information disclosure adjustment to each PEE's size and special features.

As stated before, for this analysis were selected 10 hospitals. The selection was made upon a size criterion regarding the relative weight of delivery of health services in total revenue of consolidated PEEHs for the period ended in 31st December 2011. For the analysis were chosen the five PEEHs with highest revenue and the five PEEHs with lowest revenue aiming at determining if size influences the quality of report.

As such, the five selected hospitals with highest revenues in 2011 are as follows in Table 3. Similarly the five hospitals with the lowest revenues are as follows in Table 4.

Table 3: Highest Revenue PEEHs in 2011

Entity	***Revenue***	***Relative weight***
Centro Hospitalar e Universitário de Coimbra, EPE	385.484.243 €	8,75%
Centro Hospitalar Lisboa Norte, EPE	340.394.353 €	7,72%
Hospital de S. João, EPE	314.242.799 €	7,13%
Centro Hospitalar de Lisboa Central, EPE	295.612.688 €	6,71%
Centro Hospitalar do Porto, EPE	231.680.745 €	5,26%

Table 4: Lowest Revenue PEEHs in 2011

Entity	***Revenue***	***Relative weight***
Centro Hospitalar da Cova da Beira, EPE	45.451.083 €	1,03%
Hospital da Figueira da Foz, EPE	26.606.312 €	0,60%
Hospital de Santa Maria Maior, EPE	22.644.372 €	0,51%
Hospital Infante D. Pedro, EPE	21.193.075 €	0,48%
Unidade Local de Saúde de Matosinhos, EPE	21.193.075 €	0,48%

Some of these medical facilities are the result of mergers that took place in order to allow an efficiency increase and a wider range of medical services within each facility. The mergers resulted in the creation of several hospital centres throughout the last decade within the scope of PEEHs. These mergers implied that the research herewith had to be performed over the hospitals that eventually merged, for the years prior to the mergers.

For a better understanding of this, Table 5 below lists all the entities merged and the year in which the mergers occurred.

Table 5: PEEHs in 2011 and the Hospitals Merged Since 2007

PEEHs in 2011	*Institutions merged*	*Year of the merger*
Centro Hospitalar e Universitário de Coimbra, EPE	Centro Hospitalar de Coimbra Hospitais da Universidade de Coimbra Centro Hospitalar e Psiquiátrico de Coimbra	2011
Centro Hospitalar Lisboa Norte, EPE	Hospital de Sta. Maria Hospital Pulido Valente	2008
Hospital de S. João, EPE	Hospital de S. João Hospital de Valongo	2011
Centro Hospitalar de Lisboa Central, EPE	Hospital Sta. Marta Hospital S. José Hospital. Stº. António dos Capuchos Hospital D. Estefânia	2007
Centro Hospitalar do Porto, EPE	Hospital Stº António Hospital Maria Pia Maternidade Júlio Dinis	2007
Centro Hospitalar da Cova da Beira, EPE	Hospital Pêro da Covilhã Hospital do Fundão	2005
Hospital da Figueira da Foz, EPE	-	-
Hospital de Santa Maria Maior, EPE	-	-
Hospital Infante D. Pedro, EPE	-	-
Unidade Local de Saúde de Matosinhos, EPE	Hospital Pedro Hispano Centro de Saúde de Leça da Palmeira Centro de Saúde da Sra. da Hora Centro de Saúde de S. Mamede de Infesta Centro de Saúde de Matosinhos Centro de diagnóstico Pneumológico Unidade de Saúde Pública	2005

3.3. Theoretical Framework

This study will be supported in the New Institutionalism or New institutional sociology, as developed by Powell & DiMaggio (1991). This theory will be complemented with an approach to institutionalized organizations: formal structure as myth and ritual (Meyer & Rowan, 1977), in the sense that there may be a time gap between the legislator' will and the effective compliance from the institutions. Institutional theory can be useful in the decision making process of adopting or not certain behaviours through the complexity responses of external institutional pressures (in the present study law driven pressures). Institutional theory will be combined with Oliver's (1991) analytical framework applied to governance disclosure practices in an attempt to show PEEHs' responses to law driven requirements in the Portuguese health rendering services field.

This research seeks to understand how law driven pressures reflect on PEEHs' behaviour regarding governance principles disclosure. The argument lies upon the thought that PEEHs' choices represent a strategic response to laws emanated by government (namely MCR No.49/2007). There is little doubt that, when law driven, pressures are likely to be positively accepted by organizations. The purpose of this research lies not entirely on the compliance of PEEHs by itself but in how this compliance is carried out.

Using Oliver's model, this research aims at understanding how Portuguese PEEHs responded to law driven pressures. By adopting Oliver's model (1991), this research seeks to understand, given the five predictive factors (Cause, Constituents, Content, Control and Context) in the model and when transposed to the Portuguese public health rendering services, what is the strategic response from PEEHs regarding good governance principles disclosure pressures.

In the present study the predictive factors considered as cause are enhancing legitimacy and increasing efficiency, the State is the constituent (since compliance with a legal disposition is at stake, what provides the content), control is exerted by legal coercion and context is one of clear established rules for the Portuguese NHS and PEEHs' boards are aware of all the features of their activity. As such, it is expected that PEEHs adopt an acquiescence response strategy to law driven external pressures.

Another issue focused in this research is the gap of time between the conception of an innovation and its implementation (Lawrence *et al.,* 2001). That is, the analysis on how

long it takes an organization to adopt institutional external pressures. Picking the three dimensions of isomorphism above mentioned it would be expected that law driven pressures (coercive isomorphism) would have an immediate repercussion by fear of penalties, whereas normative and mimetic pressures would take more time to be implemented as a result of a more gradual process.

Next chapter will verse on the contextualization of the Portuguese NHS and its evolution for the last thirty years.

4. The Context of the Portuguese NHS

This chapter is organized in two parts. The first comprises the evolution of the Portuguese NHS throughout the last thirty years and is followed by the legal framework regarding PEEs in general and NHS entities in particular, in order to understand the institutional external pressures put upon these entities.

4.1. Evolution of the Portuguese National Health Service

The Portuguese NHS was created in 1979 and is primarily funded by taxation revenues. The Portuguese Constitution states that the NHS is universal, comprehensive and tending to be free of charge. Accordingly, every citizen is entitled to health protection and care regardless of his social status. It is the State's duty to promote a geographic coverage of health services, such as, to assure access to all the population (Raposo & Harfouche, 2011).

The Portuguese NHS comprises three types of health services rendering institutions: PEEHs; Public Administrative Services Hospitals (PASHs) and Private Public Partnership Hospitals (PPPHs). Even though they have different denominations, their purposes are much alike.

In 2011, the NHS funding, amounting to approximately 8.250 million euro, represented 5% of the Portuguese National budget and was majorly funded through taxation. In the same year, the number of PEEHs amounted to 42 entities, while there were only 19 PASHs and 3 PPPHs.

For the last 30 years, Portugal has tried to reform the NHS and adopt the best management practices. This reform followed two paths: the corporatization of public hospitals and the redefinition of hospital services supplies (Raposo & Harfouche, 2011).

The corporatization of public hospitals took place in two waves. Firstly, the government transformed several public hospitals into public companies (*Hospitais, S.A.*), as such, 36 public hospitals were transformed into 31 public companies. The urgency for a health system reform was being felt as a result of hospital budget increase with no correlation in production. Also, there was a culture of disregard for public funds' allocation

and deficient competition spirit among hospital professionals. The first steps into reform had several objectives that ranged from quantitative to qualitative levels. According to Raposo and Harfouche (2011), these objectives can be summarized as follows:

- NPM based business management culture with focus on monitoring and accountability policies;
- Promotion of more flexible unit management namely by giving financial, administrative and operational autonomy;
- Budget restriction, in order to contain public deficit, associated with efficiency increase; and
- Hospital production (healthcare services) based funding.

These objectives boosted the first movement of health services reform which started with the already mentioned corporatization of public hospitals into Public Company Hospitals (*Hospitais, S.A.*). This corporatization allowed the *Hospitais, S.A.* to be managed with greater autonomy followed by a new legal framework, hoping that through mimetic isomorphism, the new management practices would spread to all the hospitals, including PASHs.

The transformation of PASHs into *Hospitais S.A.* gave rise to the suspicion that government was preparing to privatize these entities. Thus, in 2005, the *Hospitais S.A.* were redenominated to PEEHs in order to clarify that these institutions would be kept within the State's sphere. It was this event that started the second movement of health services reform, characterized by the expansion of PEEHs through the transformation of PASHs, the concentration of units, establishing hospital centres and the creation of local health units (Raposo & Harfouche, 2011). Once more, the implementation of these measures intended to focus on increase autonomy and management accountability, in an attempt to bring together PEEHs' management features to a more market like tradition.

The transformation of PASHs into PEEHs begins with an application from the entity, which is analysed by both the Finance and Health Ministries. Criteria for this transformation comprise: size, location and type of health services rendered. Nowadays, most of the PASHs transformed into PEEHs undergo simultaneously a concentration process and become Hospital Centres (that is, instead of a sole medical facility, there are several hospitals under the same management).

The health services rendering entities belonging to NHS are encompassed by a specific statute, Decree-law No. 233/2005, 29 December, which is in accordance with the government strategies for the sector. The Finance and Health Ministries have the joint trusteeship of PEEHs regarding financial arrangements. As such, they are vested with several responsibilities as defined in article no.10 of the Decree-law:

- Budget and activities' plans approval;
- Annual report's approval;
- Building purchase or sale's approval as well as any mortgages, given the supervisory body's approval;
- Investments authorization when not budget considered as well as any loan whose amount exceeds 10% of statutory capital;
- Determine capital reduction or increase;
- Authorize the participation of PEEHs in other health related entities; and
- Authorize any other actions that as a result from legal disposition require their approval.

Nevertheless the Ministries responsibilities, several actions remain the boards' responsibility and initiative. These include internal regulations' implementation and regulation as well as non-statutory issues such as hospital committees' creation (internal control, internal audit). Boards should be dimensioned in accordance with the law but taking into account rationality and efficiency criteria so that there are not situations of oversizing.

Through the PEEHs' regime, management boards were given autonomy to define clinical areas where to provide medical services. Nevertheless, these services are expected to cover a determined geographical area. Whenever that is not possible there is a hospital referral network (Raposo & Harfouche, 2011) that enables patients to be redirected to alternative hospitals in accordance with the medical speciality required. This network was constructed on the population needs' historical data, pre-existing facilities, equipment and human resources availability. From this it can be inferred that even though management boards can propose to create new clinical specialties within their hospitals, they still need the health ministry's authorization which means that in reality this autonomy is fictitious (Raposo & Harfouche, 2011).

Below management boards, PEEHs have several organic units and departments, organized to advise the boards on specific issues. Some of these units or departments are mandatory (such as the internal audit committee) while others may be instituted by management's initiative. Regarding working arrangements, the workers in PEEHs are subject to the rules in the Portuguese Labour Code and any supplementary labour rules in force at the time.

PEEHs' funding is based upon production levels. Each year, hospitals sign a *contrato-programa* (programme contracts) whereby they commit themselves with certain levels of production. These contracts reflect the expectations of government, expressed through the *Administração Central dos Serviços de Saúde* [Central Administration of Health Services (CAHS)], rather than Hospital Management Boards' ability to negotiate. According to Barros and Simões (2007, p. 54):

> A major innovation introduced by this change was the *contratos programa* (contracts), through which the hospital commits to certain levels of activities (admissions, external consultations, emergency department episodes and ambulatory care cases) in return for an overall yearly budget. Negative financial results are to be internalized by the hospital.

Hospitals must comply with performance objectives both at national and regional level. These objectives are laid down in the contract programmes and regard indicators such as unit cost per patient, and operational results at national level and payroll expenses, supplies and sundry expenses at regional level. Monitoring is the responsibility of CAHS and the *Administrações Regionais de Saúde* [Regional Health Services Administrations (RHSA)].

Along with the performance objectives compliance on which depend the PEEH´s funding, there have been some recent developments regarding accountability. As a consequence, management has to comply with disclosure obligations among which can be highlighted: management report, financial statements for the year, budget and activity's plan and the external auditor's report.

From the above, it can be concluded that the focus is being put in monitoring and supervising which leads us to another issue. The preparation of reporting and the information systems' integration has yet to cover a long distance. Even though all the PEEHs have to use the *Plano Oficial de Contabilidade do Ministério da Saúde* (Official Accounting Plan for the Ministry of Health), most PASHs still operate on a cash basis,

which makes comparison impossible. One of the recommendations of the MoU was that these entities should adopt the normalised accounting system[4] in 2014, which means that these entities are experiencing changes in their information systems to allow them to fulfil with that obligation.

4.2. Legal Framework

In the following subchapters is presented the Portuguese legal framework concerning the NHS.

4.2.1. The Portuguese NHS Legal Framework

Portugal is commonly associated with the "Continental European Model" regarding the manner in which changes are implemented and the environment factors that condition these changes. Portuguese commercial law goes back to the French law (1809) – *Code de Commerce* – which was adopted by a significant number of countries at the time (Portugal included) (Nobes, 1996). As such, traditionally, law is one of the most important drivers of change, which is reflected also on NHS.

Portuguese health reforms regarding organization systems date from the early nineties with Law No. 48/90, 24 August, which established the Fundamental Principles of the Portuguese NHS. This Law intended to set up the framework of health services and of the NHS, and to define the responsibilities of the State and of the health services rendering entities. It was this provision that characterized the main features of the institutions belonging to the Ministry of Health among which is the NHS. Accordingly, it is the government's responsibility the definition of health policy, and its supervision. The Ministry of Health's services are in charge of regulation, guidance, planning, evaluation and inspection duties regarding the NHS which, at regional level, is managed by (RHSA). In every aspect, these services belong to the public sector and must abide by the rules in place since they operate in its sphere.

[4] The PEEH will have to adopt the accounting system in place for the private sector entities (namely *Sistema de Normalização Contabilístico*).

In 1993, Following the Fundamental Principles of the Portuguese NHS, was established the NHS statute through the Decree-law No. 11/93, 15 January. This statute defines NHS as the hierarchized group of health rendering services' public institutions and services operating under the Health Ministry's supervision or trusteeship. It is divided in five RHSA, which are geographically integrated. Every service or organization within NHS has to be created by law and classified in accordance with the nature of its activities, as defined by the Health Ministry. At this time, there were only PASHs in Portugal operating without any specific legal regime.

As time went by, it became necessary to put some order into the several institutions belonging to the State and, in 1999, it was approved the Decree-law No. 558/99, 17 December, defining the legal regime of SOEs and public entities. This provision updated the legal definition of state-owned company nearing it to the European concepts which broaden the universe of this kind of companies. It was made an attempt to articulate the several State-owned companies with the shareholders' interests, basically through the implementation of additional reporting obligations and strategic management guidelines both in national and european contexts, namely in accordance with the Amsterdam Treaty. The Amsterdam Treaty, in its article no.7, established that State members shall zeal for these companies to operate within principles and conditions to persecute their missions. This Decree-law tried to bring together the State-owned companies regime to the paradigm of the private held companies. According to the above mentioned Decree-law, a State-owned company is an entity commercially established in which the State or other State-owned companies may solely or in group, dominate through the detention of the majority of vote rights and/or the ability to destitute or nominate members of the board. This provision also establishes the mission of State-owned companies as contributing to the economic and financial balance of the public sector and satisfying the necessities of the population. These companies are subject to private law and therefore to tax legislation and competition rules applicable to private held companies. The State as shareholder defines strategic guidelines which may involve economic objectives and financial control in order to insure management's legality, economy, efficiency and efficacy, and the companies should adopt an adequate internal control system in order to assure the fairness of the financial statements. Beyond the reporting legally demanded for private held companies, State-owned companies have to present yearly activity plans, yearly budgets financial statements and trimestral budgeting and any other information or documents as requested

to insure good public funds' management. This Decree-law also establishes, in its article no. 23, the Public Enterprise Entity (PEE), which is an entity created by Decree-law and owned by the State or another public entity. These PEEs are endowed with financial and administrative autonomy and do not follow public accounting standards. They are also subject to the State's superintendence and ruled by private law, as seen above.

In 2002, the Portuguese Parliament passed the Law No. 27/2002, 8 November, in which a new regime for hospital management was approved updating Law 48/90, above mentioned. Through this provision were established the several types of legal form in which hospitals could be organized, among which were public institutions, with juridical form endowed with financial and economic autonomy with an enterprise nature like. In article no. 5, this law defined the specific principles of hospital management, such as the development of the activity in accordance with management forecast instruments, namely activity plans (yearly and multiannual), budgets and other, assurance of quality health services with resources control, development of a judicious management fulfilling the objectives designed by the ministry of health, and the compliance with the generally accepted principles in accounting for the Ministry of Health. This law also established the regime by which the PEEHs should operate. Thus, these institutions should abide, by their establishment diploma, any rules in force for the Portuguese NHS in accordance with their legal nature and complementarily by the PEEs legal regime.

Following Law No.27/2002, 8 November, the Portuguese government passed Decree-law No. 233/2005, 29 December, which transformed into PEEHs, the 36 existing Public Company Hospitals (*Hospitais S.A.*), established their juridical regime and defined their statutes. This change into PEEHs was performed considering that these hospitals should have a legal form enabling a higher government intervention regarding strategic guidelines and superintendence necessary to the adequate functioning of the Portuguese NHS. This legal provision states that entities belonging to the Portuguese NHS should unequivocally present a public nature and be endowed with management instruments adequate to this nature. As specified in the law, it is expected that the PEEHs status will be extended to all the hospitals belonging to the Portuguese NHS, even those belonging to Public Administration. Thus, it is defended that the provisions made by Decree-law No. 558/99, 17 December, above mentioned, regarding PEEs, are the most adequate to the legal form for the Portuguese hospitals. Furthermore, the Decree-law establishes a statutes

model to be adopted by every PEEH. This model was created to prevent the adoption of different statutes between entities which are substantially identical and sets out, amidst others, share capital structure, the board composition and duties and the supervisory body. The legal regime of PEEHs complies with the Decree-law No. 558/99, 17 December, provisions and with the particularities arising from the present Decree-law. As such, it defines the supervising duties of the Ministries of Health and of Finance as well as the organic structures in which the PEEHs should be organized. It also establishes the financial rules by which the PEEHs should abide. As a result, the PEEHs shall submit to those ministries, the activities plan and budgets every year by the end of October, the yearly financial reporting by the end of March and economic indicators as and when defined by those ministries.

Regarding goods and services acquisition, the Decree-law states that they are ruled by private law, notwithstanding the need to comply with public contracting European legislation. In this particular, the hospitals' internal regulations must assure that compliance.

After establishing the PEEHs, it was necessary to redefine the status of the public manager which had become obsolete. The previous regime had been published by Decree-law No. 464/82, 9 December, and needed to be updated to the demands of public governance requirements. Accordingly, in 2007, the Portuguese Ministry of Finance passed the Decree-law No. 71/2007, 27 March, which attempted to address the shortcomings of the previous legislation following both the OECD and the European Commission recommendations on good governance. This Decree-law sets up an integrated public managers' regime perfectly up-to-date covering every SOE, regardless of its legal form, defining management's role in PEEs and the rules by which it has to abide, namely managers nomination, performance and resignation. Based upon the recognition of the public management importance in promoting social and economic development and satisfying the population needs, this Decree-law did not, nevertheless, forget the high levels of demand, rigorousness, efficiency and transparency which are, themselves, the result of an ethics in public service. As such, particular emphasis was cast upon the incompatibilities regime, performance analysis, remunerations fixation, social benefits ethic rules and international good practices. In this Decree-law, public manager is defined as anyone designated for member of the board of a PEE, as considered in Decree-law No.

558/99, above mentioned. The duties of a public manager are detailed in article no.5 and comprise: the accomplishment of the objectives of the company, as established by shareholders' meetings or by management contracts; assurance of the fulfilment of the company's strategy, supervision, control and verification of the evolution of activities; risk evaluation and management; assurance of the veracity and reliability of the information regarding the company as well as their confidentiality. Finally, it is the public manager's duty to keep professional secrecy on any matters arising from his functions.

Even though management's independence is safeguarded, Decree-law No. 558/99 determines that it should be evaluated, being this evaluation a responsibility of the finance and the corresponding area ministries' responsibility (in health services PEEH – the Ministry of Health). The Decree-law No. 71/2007, 27 March proceeds by regulating several issues regarding managements' nomination, incompatibilities, and resignation and remunerations policy. The Decree also establishes a fixed and a variable component for the public manager's remuneration as well as social benefits conditions, and allowances. Finally, this Decree-law dedicates a chapter to governance and transparency. In it is stated that public managers have to submit to ethical standards and internationally accepted good practices in transparency, respect for competition and stakeholders and reporting on the company and its operations. In 2008, in compliance with article no. 6 of the Decree-law No. 71/2007, 27 March, the Ministry of Health approves Ordinance No. 3596/2008 creating a study committee for the evaluation of PEEHs' management boards. This committee had the following attributions: pre-test the evaluation model in a sample of PEEHs, propose a final evaluation model and any alterations deemed necessary. Following this committee, a technical group was created by Ordinance No. 10823/2010, 1 July, with the incumbency of proposing a new organizational structure for the Portuguese NHS's hospitals including the PEEHs. Both of these committees have not yet provided any report.

4.2.2. Legal Measures Concerning Principles of Good Governance and Information Disclosure

It was in accordance with article no.37 of the Decree-law No. 71/2007, 27 March, that the Portuguese government passed MCR No. 49/2007, 28 March, by which were approved the PEEs principles of good governance and information disclosures. In this provision, the government admits that, due to their importance in the Portuguese social and

economic reality, the PEEs must adopt governance models that not only achieve high performance levels but also that contribute to spread good practices to public administration services in these matters including economic social and environmental sustainability. The context is one in which companies should commit to social responsibilities, namely, regarding equal opportunities and environmentally correct practices, in accordance with economic development and growth. Therefore, it is necessary to institute decision making, financial reporting and supervision mechanisms that induce an efficient use of the available resources. In other words, it is necessary to implement governance models with economic and social value for the companies. However, good governance is not attainable with mere legislation initiatives (by coercive isomorphism). It is fundamental to adopt good governance practices in order to stimulate economic agents towards efficiency and equity. As such, the State must give the example and this is why this MCR No.49/2007 begins by setting the principles of good governance regarding the State as shareholder in an attempt to remedy the shortcomings of the few existent reflections on good governance regarding its role. This represented an effort to apply good governance practices not only to the agents (the entities' managers) but also to the principal (the State). Thus, the principles are divided in the State's role as shareholder and as stakeholder. The recommendations put an emphasis in transparency and guidelines establishment and evaluation, as well as supervision. As stakeholder, the State should operate within market conditions and fulfil its obligations on a timely basis. As to the PEEs principles of good governance, these are divided in six sections. Section one regards mission, objectives and general principles, and sets out the manner in which the PEEs must abide to them as well as their reporting requirements. The PEEs must prepare their activities' plan and budgets in accordance with their financing structure in obeisance to their mission statement and objectives. They are also required to define economic, social and environmental sustainability strategies. Equity plans must be adopted in order to eliminate gender discrimination and, on a yearly basis, each PEE should inform the respective ministry of the way in which its mission, objectives and principles were attained (mentioning social responsibility's policy and competitiveness, especially by way of research development). PEEs have to abide to the laws in force and be ethically irreproachable regarding taxation rules. They should also treat their workers with respect and integrity promoting their professional enhancement. Stakeholders should be treated with equity and goods and services' acquisitions procedures should be publicly disclosed. By year end the PEEs should disclose every transaction not made under "arm's length" and

a list of suppliers representing over 5% of total acquisitions, if above 1 million euro. Confidential or undocumented expenses are strictly prohibited and an ethics code must be implemented and disclosed by each PEE. The compliance with this kind of disclosures underlines a coercive pressure from the State by enforcing quantitative mandatory disclosures.

Section two regards management and supervision bodies. The MCR imposes that board and supervision bodies' dimension should be adjusted to the companies size and complexity, in order to assure efficiency in the decision making process and an adequate supervision capacity. SOEs should have a governance model able to assure the effective segregation of duties' between executive management and supervision. Bigger companies must create specialized bodies in which an audit or a governance committee should be included, non-executive board members or the supervision body should, by year end, provide an evaluation report on the board's individual performance as well as on the governance mechanisms in place. The financial statements of SOEs must be audited by an independent entity whose rotation has to be assured.

Section three of the good governance principles committed to the SOEs concerns the board's remuneration and other benefits. Companies should disclose total remunerations, both variable and fixed, whatever their nature, as well as the supervisory bodies fees. Every benefit, such as health insurances, car allowance or others should be object of the same disclosure obligations in an attempt of gaining and assuring transparency in Board members retribution that can be seen as a way of legitimating the Boards.

In section four, the council's resolution establishes that members of the board should excuse themselves from intervening in any decision which might involve their own interests, namely regarding expenses. Besides, at the time of their designation, and whenever justified, they must declare to the board and tax authorities any share interests in the company as well as any special relations with the stakeholders.

Social bodies of SOEs should publicly disclose any information which is liable to relevantly affect the financial or economic situation of the company according to what is stated in section five of this legal provision.

Finally, in section six, the resolution establishes the "comply or explain" figure for those companies that due to their size or any legal or commercial legitimate reason do not follow the above detailed principles.

Regarding information disclosure principles, the Portuguese Department of Treasury will create a SOEs' internet site where all the information regarding good governance principles must be disclosed, notwithstanding the disclosure in the companies' sites. This information should be of free access to everyone. Moreover, the management report of these companies should include a chapter regarding good governance in which, besides the principles before described, internal regulations, and an evaluation on the level of compliance should be disclosed.

In 2007, the government considered that Decree-law No. 558/99, 17 December had become outdated and therefore passed Decree-law No. 300/2007, 23 August, introducing some changes to SOEs' statute. The main changes reflect an attempt to bring together the SOEs regime with the public manager's statute approved by Decree-law No.71/2007, 27 March, above detailed. Considering that growing attention is paid to good governance practices and internal organization, this provision includes the creation of specialized committees within the companies, such as an audit committee and an evaluation committee. This Decree-law intends to assure the effective definition of strategic management guidelines in SOEs, enhancing their role in satisfying public needs. As such, it sets up three levels of management guidelines, strategic guidelines for all the SOEs, general guidelines for each sector and specific guidelines for specific companies. The respect for these guidelines will be considered in the management's performance evaluation.

In last, there is a strengthening of the control mechanisms and special disclosure duties. To the disclosure duties specified in Decree-law No. 558/99 above are added yearly investment plans and financing sources as well as trimestral budget analysis. The Decree-law No. 300/2007 considers also two new articles (no.13-A and 13-B) regarding mandatory information to be disclosed in the management report and yearly disclosure to be published in 2nd series of the Portuguese Official State Gazette. The former includes: management guidelines; management and specialized committees compositions; board members' individual *curricula*; indication of executive and non-executive members of the board; number of board members; and independent auditor's identification and report.

Regarding information disclosures, this provision states that the SOEs should disclose board composition, board member's curricula and identification and any functions in other companies as well as all the remunerations earned. This Decree-law also establishes the specialized committees' attributions and duties and defines a board regulation to be created by every SOE.

By MCR No. 70/2008, 17 April, the government tried to cast some light upon what should be the above mentioned strategic guidelines for the PEEs. Since Decree-law No. 300/2007 only established the three levels of guidelines, the council resolution defines the specific detailed guidelines for the PEEs. In this provision is defined the PEEs general framework of action by which PEEs should operate within the government objectives in a rational way, pursuing a permanent efficiency optimization, high quality services and safety concerns. PEEs should be socially responsible and pursue social and environmental objectives, promoting competitiveness consumer protection, as well as professional and personal enhancement of their workers and equity within ethical standards. PEEs engaged in general economic interest services should balance quantitative with qualitative levels of public service in a framework of economic, social and financial sustainability. The major strategic guidelines consist of: financial indicators compliance (this provision sets several financial indicators such as returns, efficiency, and days in receivables and suppliers); service quality; human resources policy and equity promotion; social benefits; sustainability and innovation policy; information systems and risk management, and ecological purchase policy. These guidelines should be evaluated on a six-month basis, being the result of this evaluation communicated to the ministry in charge. This is the minimum framework by which the PEEs should abide but they can establish additional objectives and indicators adapted to their specific activity.

In line with the reforms in the public sector and in the PEEs carried out by successive governments, the Portuguese Parliament has approved, by Parliament's Resolution No. 53/2011, 18 February, a recommendation to the government to implement measures tending to enforce the "comply or explain" principle in SOEs. This resolution states that regarding good governance and transparency, MCR No. 49/2007 should be fully complied with and completed with measures, such as risk management and internal controls system implementation, irregularities disclosure policy (to be made by the board), auditor's rotation every three mandates, strengthening the disclosures on each SOE's site

namely in what respects the "comply or explain" principle. This Resolution also recommends the rationalization of board structures, mentioning that the number of members should only exceed three when the SOE is of such complexity as to require it, never in any circumstance supersede five members. Furthermore, it recommends that board's remuneration should have a ceiling and variable components should have in consideration pre-determined specific objectives compliance. Boards' benefits are also recommended to be reduced such as company's credit card eradication and car allowance limitation. Finally, this resolution proposes the creation for a supervision committee per sector that defines an adequate governance model and assures a balance between management's complexity and remuneration within different SOEs in the same sector.

In 2012, following the recommendations made in the MoU, and Parliament's Resolution No. 53/2011, the government passed Decree-law No. 8/2012, 18 January, by which is updated the Decree-law No. 71/2007 regarding public manager's statute. This Decree-law places great emphasis in public managers' recruitment, remuneration and performance evaluation. In fact, this provision tries to implement management by objectives, rationalizing remunerations and promoting public expenses reduction, by adopting measures tending to reduce public managers benefits, such as forbidding company's credit card, limiting car allowances and representation expenses.

In summary, throughout the past thirty years there has been an increasing effort to endow the PEEs with governance practices that enable them to become more competitive and compliant with the demands of international organizations and in line with what is being done by other countries and private sector companies. Nowadays, good governance practices encompass disclosure requirements that include mission statements, trade transparency (through the disclosure of important suppliers and acquisition regulations), sustainability efforts, code of ethics, boards' independence and remunerations.

There is a growing awareness from the shareholder (the State) of the importance of good governance practices and their correspondent disclosures, which has been shown by the successive legislation efforts.

In the next chapter will be conducted an analysis on how the hospitals have adopted these good governance disclosure practices requirements.

5. Empirical study

In this chapter it will be presented a brief history of the hospitals selected for this study, followed by the analysis of the disclosed information by each hospital to better understand the level of compliance with good governance disclosure practices. Finally, the results are analysed at the light of the institutional pressures and strategic responses theoretical framework adopted in this study.

5.1. Brief History of the Hospitals Analysed

All of the hospitals analysed have once been part of PASHs, therefore it is important to learn how they were first established and came to be transformed into PEEHs. All the information regarding this section was obtained on the websites of each hospital and their annual reports as well as on the legal provisions regarding their establishment.

Centro Hospitalar e Universitário de Coimbra, EPE

Today one of the biggest hospital centres in Europe, this PEEH results from the merge, in 2011, of two PEEHs (*Hospitais e Universitário de Coimbra, EPE and Centro Hospitalar de Coimbra, EPE)* with a PASH (*Centro Hospitalar Psiquiátrico de Coimbra*), by Decree-law No. 30/2011, 2 March. *Hospitais da Universidade de Coimbra, EPE* go back to 1774, when their management was transferred to the University of Coimbra. From 1870 until 1961, they operated in three separate buildings and, in 1987, moved to a new building constructed for the effect. *Centro Hospitalar Psiquiátrico de Coimbra* was created during the dictatorship as a psychiatric facility adapting an ancient monastery. It was later transferred to the NHS and became a PASH. *Centro Hospitalar de Coimbra, EPE* comprises a maternity, a paediatric hospital inaugurated in 1977 and a general hospital inaugurated in 1973.

The PEEHs merged (*Centro Hospitalar de Coimbra, EPE* and *Hospitais da Universidade de Coimbra, EPE*) were transformed into PEEHs in 2007 (*Centro Hospitalar de Coimbra EPE*, by the Decree-law No. 50-A/2007, 28 February) and 2008 (*Hospitais da Universidade de Coimbra, EPE*, by the Decree-law No. 180/2008, 26 August) and were formerly PASHs. *Centro Hospitalar Psiquiátrico de Coimbra* was a PASH established in

2008 by ordinance No. 1580/2007, 12 December, and, unlike other PASHs developed entrepreneurial reporting habits. For this study were analysed the separate annual reports of these entities since 2007 until the merge in 2011. For this year it was analysed the annual report of *Centro Hospitalar e Universitário de Coimbra*, *EPE*, the entity that resulted from the merger of the different entities. (http://www.chc.min-saude.pt, 2013)[5].

Centro Hospitalar Lisboa Norte

This PEEH resulted from the merge, in 2008, of *Hospital de Santa Maria, EPE* and *Hospital Pulido Valente, EPE* in order to comply with Decree-law No. 23/2008, 8 February. *Hospital Pulido Valente, EPE* was a sanatorium built in 1910 and became a PASH in 1979. It was transformed in a public entity in 2002 and afterwards, in 2005, in PEEH by the Decree-law No. 233/2005, 29 December. *Hospital de Santa Maria, EPE* was created in 1954 as a PASH and a university hospital. It was transformed into a PEEH in January 2006. Nowadays, the two hospitals render healthcare services to a population of approximately, 373.000 people and employ 6.700 labourers. This hospital centre has the most procured urgency unit of Lisbon (http://www.hsm.min-saude.pt, 2013)[6].

Centro Hospitalar de São João, EPE

This hospital centre was created by Decree-law in 2011, and results from the merge of *Hospital de S. João* and *Hospital de Nª Sª da Conceição de Valongo*. *Hospital de S. João* initiated its activity in 1959 and its building was sibling to *Hospital de Santa Maria, EPE* in Lisbon. Similarly to that hospital, *Hospital de S. João* is also a university hospital and was transformed into a PEEH in 2006. This hospital is one of the two major healthcare facilities in the North of Portugal (the other being *Hospital Geral de Santo António* also in Porto). *Hospital de Nª Sª da Conceição de Valongo* was established in 1936 and belonged to *Santa Casa da Misericórdia,*[7] until the creation of the Portuguese NHS, in 1979, when it became a PASH. This healthcare unit serves approximately 300.000 inhabitants. Since

[5] http://www.chc.min-saude.pt accessed in 14th July 2013.
[6] http://www.hsm.min-saude.pt accessed in 14th July 2013.
[7] *Santa Casa da Misericórdia* was funded by Queen *D. Leonor* in 1500 as an institution aimed at providing assistance to the needed. It was created locally in each community and many of the hospitals in Portugal were once property of these institutions. They were primarily funded by donors. Its name can be translated to Brotherhood of the Holy House of Mercy.

Hospital de Valongo was a PASH until the merge, this study focused in the analysis of *Hospital de S. João, EPE's* annual report from 2006 to 2011 (http://www.chsj.pt, 2013)[8].

Centro Hospitalar de Lisboa Central, EPE

Centro Hospitalar Lisboa Central, EPE was created through Decree-law No. 50-A/2007 in March 2007, and comprised *Hospital de S. José, Hospital de S. António dos Capuchos, Hospital de Santa Marta* and *Hospital D. Estefânia*. *Hospital de S. José* is located in a former Jesuitical school and initiated its activity as a health services provider when the 1755 earthquake in Lisbon destroyed the *Hospital de Todos os Santos*. It was a PASH until the merge into *Centro Hospitalar Lisboa Central, EPE*. *Hospital de S. António dos Capuchos* was a former nunnery which was officially transformed into a hospital in 1928. As *Hospital de S. José,* it was a PASH until the merge. *Hospital de Santa Marta, EPE*, a former nunnery, was converted to a healthcare facility in 1910. Since the foundation of the Portuguese NHS it became a PASH which was transformed in a Public Company in 2002 and, in 2005, in a PEEH through Decree-law No. 233/2005, 29 December. It is a medical school and serves approximately 450.000 inhabitants. Finally, *Hospital D. Estefânia* was the first hospital-intended construction in Lisbon and was inaugurated in 1877, as the first paediatric hospital in Portugal. In 1979, when the Portuguese NHS was created, this hospital became a PASH. In the future these hospitals will be replaced by a new facility called *Hospital de Todos os Santos* (*Centro Hospitalar de Lisboa Oriental, EPE*), which is expected to open in 2016. Since *Hospital de Santa Marta, EPE* was the only PEEH before the merger, for the year prior to 2007, the study focused only on its annual report (http://www.chlc.min-saude.pt, 2013)[9].

Centro Hospitalar do Porto

In 2007, the government passed Decree-law No. 326/2007, 28 September, determining the merge of *Hospital Geral de Santo António, EPE*, *Hospital Maria Pia* and *Maternidade Júlio Dinis* into *Centro Hospitalar do Porto*. *Hospital Geral de Santo António* was established in 1799 in Porto, as a replacement for a medical facility that no

[8] http://www.chsj.pt accessed in 14th July, 2013.
[9] http://www.chlc.min-saude.pt accessed in 14th July, 2013.

longer had conditions to maintain its activity. It belonged to *Santa Casa da Misericórdia* and, with the creation of the Portuguese NHS, it was integrated as a PASH. In 2002, it was transformed in a public company, and in 2005, in a PEEH. *Hospital Maria Pia* was founded in 1882 as an Association to promote healthcare services for children in Porto. After 1974, the Hospital was nationalized and incorporated in the NHS, in 1979, as a PASH. *Maternidade Júlio Dinis* was established in 1939 as a maternity and, since its creation, it has always been a public hospital, which was integrated in the Portuguese NHS in 1979. This Hospital Centre is also a university hospital and serves, approximately, 600.000 people. In 2011, a new hospital was merged into *Centro Hospitalar do Porto, EPE*, the *Hospital Joaquim Urbano*. This hospital, *Hospital Joaquim Urbano*, belonged to and was built in 1884 by *Santa Casa da Misericordia*, to isolate and treat patients with cholera. For more than 100 years it treated only infectious and contagious illnesses. In 1914 the hospital was transferred to the states' ownership and became a PASH after 1979. Since there are no annual reports for the PASH, this study focused on the annual reports of *Hospital Geral de Santo António, EPE* (which is undoubtedly the most important facility regarding size) previous to 2007 and on the annual reports of *Centro Hospitalar do Porto, EPE* from 2007 onwards (http://www.chporto.pt/, 2013)[10].

Centro Hospitalar da Cova da Beira, EPE

It comprises two facilities: *Hospital Pêro da Covilhã* and *Hospital do Fundão*. The first was opened to the public in 1908 and belonged to *Santa Casa da Misericórdia*. Since it was never renovated, it presented a precarious situation and, as a result of the community's efforts, a new facility was built and inaugurated in 2000. This unit operates also as a university hospital. By Decree-law No. 288/2002, it was transformed in a Public Company. Dated from 1955, *Hospital do Fundão* pertained also to *Santa Casa da Misericórdia* that managed it until 1981, when it passed to the Portuguese NHS. In 1999, both hospitals integrated the *Centro Hospitalar da Cova da Beira,* and in 2005 the medical centre was transformed in a PEEH, by Decree-law No. 233/2005, 29 December (http://www.chcbeira.pt, 2013)[11].

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[10] http://www.chporto.pt accessed in 14th 2013
[11] http://www.chcbeira.pt, accessed in 14th 2013

Hospital da Figueira da Foz, EPE

It is a medical facility located in the centre of Portugal, near *Coimbra*, serving approximately 216.000 people. It was established as a Hospital in 1839 by *Santa Casa da Misericórdia*. In 1970 its property was transferred to the State and, in 1979, the hospital became a PASH. In 2002, by Decree-law No. 286/2002, 10 December, it was transformed into a Public Company and, in 2005, by Decree-law No. 233/2005, 29 December, it became a PEEH (http://www.hdfigueira.min-saude.pt, 2013)[12].

Hospital de Santa Maria Maior, EPE

Located in the north of Portugal, in *Barcelos,* this hospital has its roots in the 13th century, in a building that was constructed to isolate lepers. In the 19th century, a former nunnery was donated to *Santa Casa da Misericórdia*, in order to reorganize medical services and in 1970 a new building was added to modernize the hospital. In the 90's, was built a unit to accommodate administrative services and the hospitals' pharmacy. It serves approximately 100.000 people. It was integrated as a PASH in the Portuguese NHS in 1979 and, by Decree-law No. 293/2002, 11 December, transformed in a Public Company. In 2005, by Decree-law No. 233/2005, 29 December, it became a PEEH (http://www.hbarcelos.min-saude.pt, 2013)[13].

Hospital Infante D. Pedro, EPE (HIDP)

Located in the city of *Aveiro*, and edified by *Santa Casa da Misericórdia* in the first decade of the 20th century, this hospital received its first patients in 1914. In 1976, it was nationalized and with the creation of the Portuguese NHS, integrated, along with *Hospital de Águeda*, the *Aveiro-Sul* Hospital Centre. Despite this concentration, the growth of both institutions determined their separation in 1987. In 2002, the hospital becomes a Public Company and, following Decree-law No. 233/2005, 29 December, it was transformed into a PEEH. It serves approximately 385.000 people (http://www.hip.min-saude.pt, 2013)[14].

[12] http://www.hdfigueira.min-saude.pt, accessed in 14th July 2012.
[13] http://www.hbarcelos.min-saude.pt, accessed in 14th July 2013.
[14] http://www.hip.min-saude.pt, accessed in 14th July 2013.

Unidade Local de Saúde de Matosinhos

This healthcare unit was created in 1999 as a PASH. It was the first Local healthcare unit created in Portugal and integrates a Hospital (*Hospital Pedro Hispano*) and eight local healthcare units spread through the municipality of *Matosinhos. Hospital Pedro Hispano* was created in 1997 in order to substitute the existing local hospital which had become obsolete. In the building of the old hospital are now operating local health centres. In 2002, it was transformed in a Public Company and, in 2005, by the Decree-law No. 233/2005, 29 December, was transformed in a PEEH comprising along with the hospital the other local health services facilities. It serves a population of, approximately, 318.000 people in the north of Portugal (http://www.ulsm.min-saude.pt, 2013).[15]

5.2. Information Disclosure

The Entities' management reports contents were analysed using Table 2, in chapter 3, above regarding the good governance practices' disclosure compliance level. The results of each hospital were organised in tables by hospital, each containing per year, a yes/no compliance column and the way in which the hospital complied. For subsequent years of compliance, a column of improvement was added. The results are summarized in the Appendixes 1 to 10.

From the analysis of the tables in the appendixes, it can be easily perceived that most of the hospitals were complying with the majority of the items in the MCR No. 49/2007, 28 March, by 2011. This compliance was not immediate but progressive through the years having stabilised in most of the cases in 2008, two years after the Decree-law was approved. Next, an analysis of the disclosure of each analysed hospital's management report is provided.

Centro Hospitalar e Universitário de Coimbra, EPE

The analysis to the level of compliance with MCR No. 49/2007, 28 March, regarding *Centro Hospitalar e Universitário de Coimbra, EPE*, summarized in Appendix 1, has to be performed with reference to the hospitals that merged into it. Thus, for the

[15] http://www.ulsm.min-saude.pt, accessed in 14th July 2013.

period between 2007 and 2010, the analysis was carried upon the financial statements of *Hospitais da Universidade de Coimbra, EPE*, *Centro Hospitalar de Coimbra, EPE* and *Centro Hospitalar Psiquiátrico de Coimbra*. 2007 was the first year in which one of the entities became a PEEH, being this *Centro Hospitalar de Coimbra, EPE*. For this year, the level of disclosure was very poor once only items such as mission, objectives, corporate bodies' identification and remunerations, and internal regulations were disclosed. From 2008 until 2010 (inclusive), the level of disclosure of this hospital was the same, which means that the legal measures that have been emanated during the period had none or little consequence over the entity's disclosure practices.

As for *Hospitais da Universidade de Coimbra, EPE*, since 2008 a PEEH, it had, since that year, a Governance chapter within its annual report. In this chapter, the hospital follows the items in MCR No. 49/2007, generally complying with the disclosure requirements. Nevertheless, the disclosure, although being made, was very general with resource to ambiguous paragraphs stating the compliance but without specifying how it was achieved. As such, for example, regarding economic, social and environmental sustainability, the annual report only produces a very light analysis and does not explain objectives or measures tending to the compliance in these fields.

Centro Hospitalar de Coimbra, EPE is the most complying of the three entities comprising CHUC. In fact even though in 2007 its level of compliance was very poor, it has, since that year improved progressively its disclosures, reaching in 2010 a full compliance with MCR No. 49/2007. This evolution was not felt immediately after 2007, since in 2008 there were several items not being complied with, such as goods and services acquisition procedures, control of information disclosure and conflict of interests' prevention mechanisms.

Centro Hospitalar e Universitário de Coimbra, EPE presented its first annual report in 2011 and, since there was a merger, it is evident a drawback in the level of compliance, mainly because there was little time to prepare an internal regulation, a new regulation of acquisition procedures, a new ethics code and a risk control system, which would cover the three institutions.

In this medical centre, in which, due to its size and physical dispersion, it is difficult to homogenise procedures and centralize management, it can be concluded that by

2011 the level of compliance was high but it was achieved progressively and as a result of the merger, since one of the entities *Centro Hospitalar Psiquiátrico de Coimbra* revealed poor compliance levels as late as 2010.

Centro Hospitalar Lisboa Norte, EPE

In 2006, the annual reports of both *Hospital de Santa Maria, EPE* and *Hospital Pulido Valente, EPE* revealed a weak disclosure level regarding governance practices as can be seen in Appendix 2. In fact, only mission and internal regulation were referred in *Hospital de Santa Maria, EPE's* annual report and *Hospital Pulido Valente, EPE,* besides its mission, only disclosed management's identification and remuneration. There was a significant improvement in *Hospital de Santa Maria, EPE*'s level of disclosures in 2007 (most certainly linked to the MCR No. 49/2007) and a more light effort on *Hospital Pulido Valente, EPE.*

In 2008, with the creation of *Centro Hospitalar Lisboa Norte, EPE* there was a setback in disclosure levels, since many of the disclosures are generic as for instance the disclosure of the evaluation of good governance principles compliance in which the report only states that the hospital complies but does not detail how. From that year onwards there was a progressive increase in disclosure levels and by 2011 this PEEH complied with every disclosure requirement except for risk control system, regarding which only a brief description of risk management was performed. Notwithstanding it should be noticed that, despite the efforts, some of the disclosures were still on generic terms, namely regarding sustainability in which only future objectives were mentioned without stating precise measures to be taken in order to achieve those objectives.

As a conclusion, even though one of the hospitals (*Hospital de Santa Maria, EPE*) was complying with most of the disclosure requirements by 2007, the merger brought some turbulence to the disclosure process which was only surmounted in 2011.

Centro Hospitalar de São João, EPE

Centro Hospitalar de São João, EPE was transformed in a PEEH in 2006 with effects in January 2007. As such, in 2006, it had no obligation of presenting accounts in an

entrepreneurial form. This can be observed in Appendix 3 in the column regarding that year. In 2007, the disclosure of governance related items was limited to Board's identification and remuneration, goods and services' acquisition procedures and internal regulations. From 2008 onwards, the annual reports registered a significant improvement regarding disclosure. In 2008, the information was scattered in the management report but most of the items in MCR 49/2007 were disclosed, the exceptions being related with objectives, economic and social sustainability, ethics code, risk control system, conflict of interests' prevention mechanisms and evaluation on good governance principles compliance.

In 2011, the management report only failed to comply with the items regarding economic and social sustainability. Even so, for some of the items, the disclosure regarding the evaluation of the levels of compliance was limited to a generic paragraph stating compliance without specifying how it was achieved.

Once again it can be stated that 2008 was the turning point in disclosure practices, more than a year after the MCR No. 49/2007.

Centro Hospitalar de Lisboa Central, EPE

In 2006, only *Hospital de Santa Marta* was a PEEH. The annual report of this unit for that year was very poor regarding governance disclosures, as summarized in Appendix 4, being limited to mission and management board member's identification and remuneration.

In 2007, the accounts regarded the four hospitals that were merged into *Centro Hospitalar de Lisboa Central, EPE* and it is noticeable the improvement in governance disclosures even though not having addressed all the items in MCR No. 49/2007 (items regarding ethics code, risk control system, conflict of interests' prevention mechanisms, evaluation on the compliance with good governance principles and control of information disclosure were still not addressed). Nevertheless, the management report puts some emphasis in quality accreditation and internal procedures improvement which are consonantly disclosed in what seems to be a concern with legitimacy of the management. It is necessary to wait for 2009 to notice a real improvement in disclosure. In this year, the

only items which were not disclosed regard risk control system and conflict of interests' prevention mechanisms, as well as information disclosure control. In 2011, the annual report succeeded in fulfilling all the disclosure obligations.

By opposition with the previous hospitals, the turning point in governance disclosures in *Centro Hospitalar de Lisboa Central, EPE* only occurred in 2009 (two years after the MCR No. 49/2007). And, as stated above, only in 2011 did the entity fully disclose every item in the legal provision. The quality of the disclosure in this medical facility is significant in most of the items but regarding risk control it presents a ceremonial compliance (Meyer & Rowan, 1977) in the sense that there was no risk control system implemented but only a plan to address fraud and corruption.

Centro Hospitalar do Porto, EPE

In 2006, the only existing hospital, of the entities that would merge into *Centro Hospitalar do Porto, EPE*, which was a PEEH, was *Hospital Geral de Santo António, EPE,* as can be seen in Appendix 5. Its annual report limited its disclosures on governance to mission and board members' identification. In 2007 *Hospital Geral de Santo António, EPE* presented a management report before the merger which revealed the same weaknesses as the 2006 report. But, strangely enough, the management report presented by *Centro Hospitalar do Porto, EPE*, as a result of the merger, complied with almost every disclosure recommendation in MCR No. 49/2007, failing only in the environmental sustainability analysis, ethics code and risk control system, which leads to the hypothesis that this medical facility succeeded in disclosing the items that were not resource consuming (as implementing a risk control system and a sustainability analysis). Also, there was no control of the information disclosed. Nevertheless, some of the disclosures were very generic and mentioned work in progress in several areas, such as internal regulation and goods and services acquisition. This behaviour seems to point to an avoidance strategy, as defined by Oliver (2011).

Progressively *Centro Hospitalar do Porto, EPE* improved its governance disclosure and, by 2011, the only item which was not being disclosed regarded risk control system, in a similar behaviour with other entities analysed and probably by the same reasons (it is more difficult and time consuming to implement a risk control system).

In this PEEH is evident the relation between the legal provision, the merger and disclosure practices. It appears that *Centro Hospitalar do Porto, EPE*'s management took advantage of the merger to comply with the legislation in force at the time and, consequently, draw a disclosure framework which would only have to be improved through the following years.

Centro Hospitalar da Cova da Beira, EPE

Of all the entities analysed, *Centro Hospitalar da Cova da Beira, EPE*, in Appendix 6, is the one with a more even behaviour throughout the period analysed. In fact, this medical centre reveals high levels of disclosure since 2006, when only four items were not disclosed: objectives, control of disclosed information, risk control system and conflict of interests' prevention mechanisms. Even though in 2008 and 2009 there have been some setbacks, namely regarding evaluation of good governance principles compliance and ethics code, by 2011 the hospital only failed to disclose matters related to risk control system and ethics code.

In the annual reports of *Centro Hospitalar da Cova da Beira, EPE,* there is no evidence of a change due to the legal provision once this hospital was already complying with the disclosure requirements that became mandatory in 2007, in the annual report of 2006.

Hospital da Figueira da Foz, EPE

Hospital da Figueira da Foz, EPE reveals a normal behaviour regarding information disclosure as laid out in Appendix 7. As expected, in 2006, its levels of disclosure are very poor and respect to board members identification and remuneration, while, in 2007, it is extended only to mission statement and objectives as well to internal regulations.

As in other entities above, the major progress was made in 2008. Even if in generic paragraphs, there is a concern in following the items in MCR No. 49/2007. The only items which were not disclosed regard acquisition procedures (transactions not performed in arm's length and list of suppliers over 5% of total supplies), control of disclosed

information, ethics code (though it mentions an ethics commission), risk control system and conflict of interests' prevention mechanisms.

From 2008 onwards, the items were progressively addressed and, by 2010, all the requirements in MCR No. 49/2007 were fully complied with, which might be an indication of the desire to fulfil the legal provision.

Hospital de Santa Maria Maior, EPE

From the analysis of the table in Appendix 8, it can be extracted that governance principles' disclosure in *Hospital de Santa Maria Maior, EPE* was not even through the years, having a considerable setback in 2007 and 2008, when compared to 2006. As such, in 2006, the annual report of this PEEH presented a considerable level of disclosures in most of the items that would be later required by MCR No. 49/2007. The items not disclosed regarded acquisition procedures, namely, list of suppliers representing over 5% of total supplies, and transactions not performed within arm's length, ethics code (though it mentions an ethics commission), risk control system and conflict of interests' prevention mechanisms.

In 2007 and 2008, the annual reports failed to comply with MCR No. 49/2007, complying only with the disclosure of mission statement, objectives and board members' identification and remuneration.

In 2009, there was an obvious effort to disclose all the required items and the only flaws regard work in progress (code of ethics and risk system development) and control of information disclosed and conflict of interests' prevention mechanisms. By 2010, all the items were fully disclosed.

It can be stated that *Hospital de Santa Maria Maior, EPE* had an atypical behaviour regarding governance principles disclosure. In fact, of free will it disclosed many items when the provision was not yet in force (2006) and failed to do so when it became mandatory.

Only in 2009, and perhaps by force of mimetic isomorphism, and the shareholder's recommendation (the State), did this hospital begin to comply with MCR No. 49/2007.

Hospital Infante D. Pedro, EPE

Analysing the annual reports of *Hospital Infante D. Pedro, EPE* summarized in Appendix 9, allows observing that 2008 was the year that triggered the compliance with MCR No. 49/2007. In fact, in 2006 and 2007, the annual reports were deficient in governance practices' disclosure which was limited to the mission statement, board members identification and remuneration and a reference to the internal regulation in 2006.

As for 2008, the level of compliance clearly improved when compared with the previous years, and the only items which were not being disclosed related to objectives, suppliers representing over 5% of supplies, evaluation on the compliance with good governance principles, control of information disclosed risk control system and conflict of interests' prevention mechanisms.

By 2011, the only disclosure obligations that were not being met with were, objectives, control of information disclosed and risk control system.

The analysis allows concluding that the MCR No. 49/2007 was probably the reason which led *Hospital Infante D. Pedro, EPE* to improve its disclosure practices even if it was with a delay of approximately one year and for some of the items in an apparent way.

Unidade Local de Saúde de Matosinhos, EPE

By 2006, in its annual report, the *Unidade Local de Saúde de Matosinhos, EPE* limited its disclosures on governance to the mission, board members identification and remuneration, general reference to national provisions regarding acquisition procedures and to the risk management system manual as shown in Appendix 10. In 2007, there was a leap in information disclosure and the annual report only failed to disclose conflict of interests' prevention mechanisms and the code of ethics (which was in progress).

Even though there have been some setbacks in 2010 regarding the disclosure of suppliers representing over 5% of supplies and the control of information, in 2011 the entity complied with all the items in MCR No.49/2007, except for the conflict of interests' prevention mechanisms.

It is clear, from the above that this medical unit made an effort to comply with the legal provision as soon as it was approved in 2007.

5.3. Institutional Pressures and Strategic Responses: Analysis and Discussion

Throughout the last thirty years the successive Portuguese governments have pursued continuous reforms in the NHS issuing several legal provisions. Among these legal provisions, some have been addressed to governance practices in an attempt to bring the PEEHs to a modernized way of not only doing business but also of disclosing accurately and timely the management instruments used in their activity in order to ensure transparency. As such, the Portuguese tried to induce good governance practices in PEEHs through coercive isomorphism by issuing mandatory legal provisions. This is portrayed in MCR No. 49/2007, where, along with disclosure obligations demanded from the PEEs, there is also a chapter regarding the State's role as a shareholder. There has also been an update to the public manager regime (by Decree-law No. 8/2012) and a clarification of the strategic guidelines for PEEs. By the several legislation produced it is clear that the path chosen by the Portuguese government has been one of coerciveness regarding the implementation of good governance practices by PEEs.

Presently, the disclosure obligations imposed upon the PEEHs are established in the above mentioned MCR No. 49/2007 and regard the disclosure of mission, objectives and general principles of conduit, management board's identification and remuneration, items regarding transactions (internal and external regulations binding the entity, list of important suppliers, transactions performed outside market conditions), sustainability analysis (economic, environmental and social), evaluation of compliance with good governance principles and control of disclosed information, as well as ethics code, risk control system and conflict of interests prevention. The disclosure of this items is mandatory but there is no penalty for noncompliance because it is instituted the principle of "comply or else". So, the non-complying entities should explain the reasons underlying the noncompliance.

When performing a time line analysis on the tables, available in Appendixes 1 to 10, the results point to a gap between the time the MCR No. 49/2007 was issued and its implementation in the analysed hospitals. It would be expected that the these hospitals

would have low levels of compliance before 2007 and would increase these levels throughout the years until reaching full compliance.

As such, in 2006 most of the entities did not meet the minimum of disclosures regarding governance practices. Nevertheless, it should be highlighted that *Centro Hospitalar da Cova da Beira* disclosed twelve of the sixteen items in MCR No. 49/2007 and *Hospital de Santa Maria Maior* was successful in disclosing ten of the items. This was an atypical behaviour that could be explained by an attempt to anticipate the legal provision and assume a leading position regarding the disclosure of good practices. It should be noted that regarding *Centro Hospitalar da Cova da Beira,* the fact that it is a university hospital with a need to prove itself as a high quality medical services renderer may have contributed for the early disclosure.

Regarding the other hospitals studied, the levels of disclosure were very poor, with *Centro Hospitalar do Porto* disclosing only two of the items (Mission and Board member's remuneration). Is should, however, be highlighted that for this period the MCR No. 49/2007 had not been published, so it is laudable that, as seen above, two of the entities, from their own initiative, made an effort towards disclosing governance practices. This implies that, without any external pressure from the shareholder (the State), they disclosed information following the best practices in the private sectors. A possible explanation for this can be a mimetic behaviour translated by the fact that the management boards of these entities tried to implement in their organizations disclosing practices from other organizations even if in a ceremonial way (Meyer & Rowan, 1977).

In 2007, there was a general increase of the disclosing items that may be the result of a coercive isomorphism arising from the publication of the MCR No. 49/2007. It is clear that the State tried to influence the institutional environment by coerciveness, enhancing PEEHs' disclosure through a mandatory instrument. Even though there was an increase in disclosing items, some of the disclosures, as in *Centro Hospitalar do Porto*, are merely ceremonial. In fact, regarding sustainability issues disclosure there is a mere description of definitions and a statement of concern towards achieving it without really defining the targets and measures to be taken in order to achieve economic, social and environmental sustainability.

Strangely enough was the behaviour of *Hospital Santa Maria Maior* in which there was a setback regarding disclosing items, since it only disclosed four items in the legal provision against the ten items it had disclosed in the financial statements regarding 2006. A possible explanation for this might be the change in the board that occurred in 2007. This corroborates the idea of a ceremonial adoption of the MCR No. 49/2007 requirements (Meyers & Rowan, 1977) in 2006, since that if there had been a full abidance to the legal provision in 2006, then they would be easily continued to be disclosed in future years.

These behaviours indicate a pretence acceptance of the legal provision in what can be a strategic response of avoidance through concealment tactics, as identified by Oliver (2001), by the hospitals in an attempt of showing compliance rather than actually complying.

When analysing the level of disclosure for the year 2008, it may be concluded that there was a general improvement, since the majority of the entities disclosed more than half of the items required by the legal provision in analysis. The only entity that failed to comply with this was once again *Hospital Santa Maria Maior, EPE*, which continued to disclose only four of the sixteen items in MCR No. 49/2007. Once again, regarding some of the items, such as internal and external regulations disclosure and evaluation on the compliance of good governance practices, there is only a generic paragraph stating compliance without any evidence of how this compliance is achieved. This points out to a ceremonial compliance instead of a real compliance as a response to an institutional pressure regarding disclosure (Meyers &Rowan, 1977; Oliver, 2001). In 2008 the entity with a highest level of compliance was *Hospitais da Universidade de Coimbra, EPE* that has disclosed thirteen of the sixteen items required by the legal provision.

Albeit this apparent level of disclosure, when deepening the analysis, it is again clear that for some of the items such as sustainability, objectives and level of compliance, and internal and external regulations, the information disclosed simply states a compliance and not the means by which it is achieved which seems to indicate rather than a full adoption of the disclosure requirements, a pretension of adoption in a strategy that seems to point to the avoidance strategy laid down by Oliver (2001).

Advancing to 2009 (and so, two years after the issue of MCR No. 49/2007), it can be observed that most of the entities have acceptable levels of disclosure since the hospital

with the lowest degree of compliance is *Unidade Local de Saúde de Matosinhos EPE*, complying with nine of the disclosing items while *Centro Hospitalar do Porto, EPE* (which presents the highest level of compliance) shows a disclosure of fourteen items. As such there was an increase in compliance when compared with the previous year. Here also it can be viewed that there is still an apparent compliance regarding some of the items, namely regarding policies towards achieving environmental, economic and social sustainability.

In 2010, the highest level of compliance regarding good governance practices disclosure was achieved by two entities, *Centro Hospitalar Coimbra, EPE* and *Hospital de Santa Maria Maior, EPE* both referring the sixteen mandatory disclosing items in their annual reports. Nevertheless, there was still some difficulty in fully addressing these items since, by the analysis conducted for items such as conflict of interests prevention (CHC) and risk control (*Centro Hospitalar Coimbra, EPE* and *Hospital de Santa Maria Maior*), the disclosure is merely descriptive and not explanatory in what seems to confirm an attempt to pretend a compliance.

Finally for 2011, several entities succeeded in mentioning all the items required by the MCR No. 49/2007. These entities were *Centro Hospitalar de Lisboa Central, EPE*, *Hospital Distrital da Figueira da Foz, EPE* and *Hospital de Santa Maria Maior, EPE*. The entity with the lowest level of compliance was *Centro Hospitalar e Universitário de Coimbra, EPE*, having disclosed only twelve of the items which implied a decrease in compliance level when compared with 2010 (this hospital centre resulted from the merger, in 2011, of *Hospitais da Universidade de Coimbra, EPE*, *Centro Hospitalar Coimbra, EPE* and *Centro Hospitalar e Psiquiátrico de Coimbra* and this might be a plausible explanation for the decrease in the disclosure compliance levels due to administrative reorganization). However, it is still notorious the difficulty in fully complying with disclosures in what regards risk control systems. In fact, this item is the weakest regarding disclosure level in all of the reports analysed in the study. And even though the entities state some intended measures (such as risk prevention plans) none of them described and referred a risk control system implementation or risk control procedures in place.

Also, it should be highlighted that the items that took more time to disclose were items related with procedure implementation, such as sustainability analysis and risk control system. The reason for this increased delay, when compared with other disclosure

requirements, may lay in the fact that while it is comparatively easy to disclose management board's identification and remuneration (among others), it is more difficult and resource consuming to implement sustainability practices and risk control systems.

Finally, the accomplishment of the disclosures was also due to a mimetic effect in the sense that hospitals felt obliged to fulfil with the obligations not only as a result of legal demand but also by mimicking what other hospitals were doing. In fact, the maps used to control the information disclosed are identical in all the hospitals that fulfil with this disclosure obligation.

From the above, it can be concluded that there was a delay in fully addressing the MCR No. 49/2007, regarding disclosure obligation of good governance practices. Nevertheless, the evolution was similar and parallel between the entities. A tentatively explanation for this delay may reside in the process of isomorphism that is liable to occur within entities operating in the same activity. When similar players in the market have better practices, the entities are tempted to follow them, by mimetic isomorphism.

When observing the time the entities took to implement the governance disclosure requirements it is clear that the MCR No. 49/2007 adoption was not immediate and demanded the implementation of governance structures within the PEEHs studied. This is supported by the fact that until 2007 none of the entities had a governance chapter in their annual reports. As time went by, the hospitals grew aware of the need to address the legal disposition and progressively increased their disclosed items even if in a ceremonial manner.

As such the strategy implemented by most of the entities was a strategy of avoidance, as defined by Oliver (1991), in the sense that, conscious of the need to fulfil with the requirements in the legal provision and therefore comply with external pressures imposed by government, the hospitals tried to conceal noncompliance by pretending to disclose all the items they were imposed upon.

The analysis performed on the annual reports of these entities has also tried to examine if entities' size (as determined in Tables 3 and 4 in chapter 3) and board characteristics would have any impact on the level of disclosure. From this analysis it is possible to conclude that the level of disclosure does not appear to be related with size

since the behaviour of the analysed hospitals is similar regardless of their dimension. Underlying this is the fact that one of the most complying PEEHs is *Centro Hospitalar da Cova da Beira, EPE,* one of the lowest revenue entities. Concerning the information on the characteristics of the boards, this was not available for several hospitals in their annual reports (*Centro Hospitalar Lisboa Norte, EPE, Centro Hospitalar Universitário de Coimbra, EPE, Centro Hospitalar da Cova da Beira, EPE*), and as such it has conditioned further conclusions.

By referring the items in their annual reports, PEEHs analysed have tried to induce the thought that they were fully addressing the disclosing obligations when in fact, in several cases (as shown above), they were merely pretending compliance. This seems to confirm that they engaged in a ceremonial of acceptance (Meyer & Rowan, 1977) and not in a full abidance of the disclosure requirements.

These obstacles may help to understand why the hospitals apparently chose a response of avoidance in a strategy of pretence compliance.

6. Conclusions

This final chapter presents an overview of the major findings in the study and the answers to the research questions laid out in the first chapter. It also encompasses the contributions and limitations of the research conducted and points out possible directions for future research in this field.

6.1. Major Findings

The main objective of this research was to analyse in which way State regulations on good governance in Portugal have determined PEEHs' behaviour namely regarding information disclosure. As such, it aimed at answering the following question: How did Portuguese legislation efforts on good governance principles influence the information disclosure in PEEHs?

Due to the complexity of this departure question, it was divided in the following three sub questions:

- What is the legal framework of good governance principles applicable to external reporting in PEEHs?
- Which are the consequences of this legal framework in the external reporting of the PEEHs?
- In which way did the PEEHs institutionalize this legal framework in their financial reporting mechanisms?

Regarding the first sub question, in chapter four above was presented the sequence of legal provisions issued by successive governments and parliaments regarding SOEs and Portuguese NHS. From the collection of legal provisions regarding PEEs and PEEHs, it is possible to conclude that throughout the years there has been a growing awareness of the importance of good governance principles and their disclosure. There was a concern to legitimate management boards by forcing them to adopt certain behaviours of independence and prevention of conflict of interests (namely regarding expenses).

It is relevant to refer that due to the difficulty to enforce these laws, parliament has felt the need to produce recommendations to government in order to implement

mechanisms of enforcement as stated by Parliament's Resolution No. 53/2011, 18 February, and implement the "comply or explain" principle regarding good governance principles. Nevertheless, this may pose a problem for correct disclosure. By implementing the "comply or explain" principle, government is allowing noncompliance as long as entities present a justification for not complying. While no penalty is established, the PEEHs will continue either to apparently disclose information or simply fail to do so, covered by explanations they deem justifiable.

Addressing the second sub question, in chapter five was conducted an analysis on ten PEEHs annual reports' for a six year period beginning in 2006 (before MCR No. 49/2007 was issued) and ending in 2011 (at the time of this analysis the annual reports regarding 2012 were not available). This analysis aimed at determining the level of compliance with the disclosures demanded by MCR No. 49/2007). From this analysis, it is clear that the compliance with the legal provision was neither immediate nor uniform among the PEEHs studied.

Also, regarding the third sub question, the research allowed to conclude that despite the government's determination in obtaining good governance principles' disclosure from PEEHs through coercive pressures (legal provisions), many of the entities analysed merely adopted a response strategy of avoidance as defined by Oliver (2001), in the sense that through concealment tactics pretended to comply, transmitting an image of acceptance, when in fact this pretence acceptance lies in merely stating a compliance instead of a full disclosure.

In fact, the corporatization and the contracting, the adoption of good governance practices and the adoption of reporting practices to stakeholders were the levers for promoting hospital governance and the principles of good governance in public hospitals (OPSS, 2008; Raposo, 2007).

As a result of this study, it can be concluded that, in Portugal, the adoption of good governance practices was leveraged by legal provisions that made mandatory the disclosure of good governance principles. Nevertheless, the disclosure practices were not neither immediate nor complete and their accomplishment was also due to a mimetic effect in the sense that hospitals felt obliged to fulfil with the obligations not only as a result of legal demand but also by mimicking what other hospitals were doing.

6.2. Contributions

In this research was performed a time line description on the evolution of legislation and normative production from the Portuguese successive governments and parliament regarding Public governance principles and their disclosure. This description helps understanding the consecutive efforts in endowing PEEHs with modern management and reporting structures.

This study is also important for the accounting regulation entities to better understand disclosure explaining factors of the PEEHs and, therefore, contemplate these factors in future legislation and recommendations. The findings will contribute to increase the knowledge on disclosure existing practices in PEEHs and the necessity to harmonise and improve them.

The study also has contributed to the increase in hospital governance literature.

6.3. Limitations

The limitations of the study are related to the availability of information. In fact, it was not possible to extend this study to 2012 due to the fact that the PEEHs' annual reports for this period were not available in time for their inclusion. Also, regarding the years before 2006, most of the hospitals were PASHs and, therefore, were not obliged to present annual reports in an integrated format.

Finally, the theoretical framework is a rich one and could have been more deeply applied. However, restrictions of time and the amount of data involved complicated the process. Additionally, the adoption of this theoretical framework does not imply that it is the only one possible or the better one. Other frameworks could be applied, like Agency Theory and Stakeholders Theory. Notwithstanding, it was considered that the one adopted is best suited to the objective and research questions that guided this research.

6.4. Future Research

Future research in this field can deepen into management board composition and supervisory bodies' rotation in PEEHs as well as the existence or not of an audit committee or a governance committee. Also, a study could be conducted based upon interviews to

board members aiming at understanding the factors that determine the institutionalization of good governance practices' compliance and their disclosure.

Additionally, it would be important to study the outcomes of the technical group created by Ordinance No. 10823/2010, 1 July, with the incumbency of proposing a new organizational structure for the Portuguese NHS's hospitals including the PEEHs. The proposals of this technical group should enlighten future measures regarding the Portuguese NHS.

Furthermore, this study opens the veil to future research on the limitations of the "comply or explain" principle in public governance in the sense that if entities are no compelled to comply without any penalties, they will resist to implement the best governance principles.

After the conclusion of this study, the Portuguese government issued Decree-law No. 133/2013, 3 October, revoking Decree-law 558/99, 17 December, updated by Decree-law No.300/2007, 23 August, regarding SOEs. As such, future research can be directed towards the changes implemented by this Decree-law, namely in what concerns the State's role as shareholder.

Legislation

Decreto-Lei N.º 11/93 de 15 de janeiro, Diário da República, Série I - A – N.º 12 – 15 de janeiro de 1993

Decreto-Lei N.º 133/2013 de3 de outubro Diário da República, Série I — N.º 191 — 3 de outubro de 2013

Decreto-Lei N.º 233/2005 de 29 de dezembro, Diário da República — Série I -A – N.º 249 — 29 de dezembro de 2005

Decreto-Lei N.º 300/2007 de 23 de agosto Diário da República, Série I — N.º 162 — 23 de agosto de 2007

Decreto-Lei N.º 464/82 de 9 de dezembro, Diário da República, Série I – N.º 283 – 9 de dezembro de 1982

Decreto-lei N.º 558/99 de 17 de dezembro, Diário da República, Série I - A –N.º 292- 17 de dezembro de 2012

Decreto-Lei N.º 71/2007 de 27 de março, Diário da República, Série I—N.º 61—27 de março de 2007

Decreto-Lei N.º 8/2012 de 18 de janeiro, Diário da República, Série I — N.º 13 — 18 de janeiro de 2012

Despacho N.º 3596/2008, de 16 de janeiro, do Ministério da Saúde, Diário da República, Série II – N.º 31 – 13 de fevereiro 2008.

Despacho N.º 10823/2010 de 1 de julho, Diário da República, Série II — N.º 126 — 1 de julho de 2010

Lei N.º 27/2002 de 8 de novembro, Diário da República — Série I - A N.º 258 — 8 de novembro de 2002

Lei N.º 40/90 de 24 de agosto de 1990, Diário da República, Série I – N.º184 – 10 de agosto de 1990

Resolução da Assembleia da República N.º 53/2011 de 18 de fevereiro Diário da República, Série I – N.º 57 – 22 de março de 2011.

Resolução do Conselho de Ministros N.º 135/2002, de 20 de novembro, Diário da República, Série I-B – N.º268 - 20 de novembro de 2002.

Resolução do Conselho de Ministros N.º 49/2007, de 28 de março, Diário da República, Série I-B – N.º 62 – 28 de março 2008.

Resolução do Conselho de Ministros N.º 70/2008 de 17 de abril, Diário da República, Série I – N.º 79 – 22 de abril de 2008.

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Appendixes

Appendix 1 – Centro Hospitalar e Universitário de Coimbra, EPE

MCR No. 49/2007	Centro Hospitalar e Universitário de Coimbra, EPE																																
	2011 CHUC			2010 CHC					2010 HUC	2010 CHPC			2009 CHC			2009 HUC			2009 CHPC			2008 CHC EPE			2008 HUC			2008 CHPC			2007 CHC EPE		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How	No	Yes	How	No	Yes	How
Mission and the way in which it is complied with		X	In the annual report		X	-		X	-		X	-		X	-		X	-		X	-		X	In the governance chapter in the annual report		X	In the governance chapter in the annual report		X	In the Annual report		X	In the Annual report
Objectives and level of compliance		X	-		X	-		X	-		X	-			-		X	Lists objectives and deadlines for compliance		X	-		X	-		X	Merely states that objectives are defined and monitored internally		X	Generic objectives in a chapter in the annual report dedicated to management objectives		X	Lists objectives, and deadlines for compliance
Management Board members' identification		X	-		X	-		X	-		X	-		X	-		X	-		X	-		X	-		X	In the Annual report		X	In the Annual report		X	In the Annual report
Management Board members' remuneration		X	-		X	-		X	-	X				X	-		X	-	X		-		X	-		X	In the governance chapter in the annual report	X		-		X	In the Annex to the financial statements
Internal and External regulations	X		Internal regulation in preparation as a result of the merger		X	-		X	Disclosure of several regulations in place	X		-		X	-		X	Internal regulation approved and list of legal framework	X		-		X	Mentions several department regulations		X	Internal regulation awaiting implementation and list of legal framework	X		-		X	Internal regulation on reference to legal provisions
Acquisition of goods and services procedures	X		-		X	Acquisition regulation awaiting approval		X	Acquisition regulation in preparation	X		-		X	Acquisitions regulation. Chapter in the annual report dedicated		X	-	X		-	X		-		X	Acquisitions regulation	X		-	X		-

															to purchase management																		
Transactions not performed in arm’s length		X	N/A		X	N/A		X	N/A	X		-		X	Disclosed in the institutional site		X	N/A	X		-	x		-		X	N/A	X		-	X		-
List of suppliers representing over 5% of total supplies		X	N/A		X	3 entities listed		X	23 entities listed	X		-		X	Disclosed in the institutional site		X	7 entities listed	X		-	X		-		X	1 entity listed	X		-	X		-
Economic sustainability analysis		X	Description of some objectives		X	-		X	-	X		-		X	-		X	-	X		-		X	Generic paragraph		X	Generic paragraph	X		-	X		-
Social sustainability analysis		X	Description of some objectives		X	-		X	-	X		-		X	-		X	-	X		-		X	Generic paragraph		X	Generic paragraph	X		-	X		-
Environmental sustainability analysis		X	Description of some objectives		X	-		X	-	X		-		X	-		X	-	X		-		X	Generic paragraph		X	Generic paragraph	X		-	X		-
Evaluation on the compliance of good governance principles		X	-		X	-		X	-	X		-		X	Lists good governance principles and their compliance		X	-	X		-		X	Merely states compliance		X	Lists good governance principles and their compliance	X		-	X		-
Control of disclosed information		X	-		X	In the governance chapter of the Annual report		X	It was made a control of disclosed information. Nevertheless none of the mandatory information was disclosed in the site	X		-	X		-	X		-	X		-	X		-	X		-	X		-	X		-

Ethics Code	X		In preparation		X	-	X		-	X		-		X	Approved and disclosed in the institutional site	X		-	X		-		X	Temporary version	X		Ethics committee created	X		-	X		-
Risk control system	X		In preparation		X	Corruption risks prevention plan	X		-	X		-		X	-	X		-	X		-		X	Risk management policy implementation with intended measures	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	Signed statement of inexistent conflicts deposited in the district attorney's office		X	Merely states that management does not interfere in any decisions regarding issues involving them		X	-	X		-	X		-		X	-	X		-	X		-		X	Merely states that management does not interfere in any decisions regarding issues involving them	X		-	X		-

Legend:
CHC – Centro Hospitalar de Coimbra, EPE
CHPC – Centro Hospitalar e Psiquiátrico de Coimbra
CHUC – Centro Hospitalar e Universitário de Coimbra, EPE
HUC – Hospitais da Universidade de Coimbra, EPE

Appendix 2 – Centro Hospitalar Lisboa Norte, EPE

MCR No. 49/2007	Centro Hospitalar Lisboa Norte, EPE																							
	2011			2010			2009			2008 CHLN*			2007 HSM			2007 HPV			2006 HSM			2006 HPV		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	In a separate chapter of the annual report		X	-		X	In a separate chapter of the annual report		X	In a separate chapter of the annual report		X	In the annual report
Objectives and level of compliance		X	Indicates objectives and policies to achieve them in the governance chapter of the annual report		X	Merely indicates objectives	X		-	X		-			-	X		-	X		-	X		-
Management Board members' identification		X	-		X	-		X	-		X	-		X	In the annual report		X	-	X		-		X	In the annual report
Management Board members' remuneration		X	-		X	-		X	-		X	-		X	In the annual report		X	-	X		-		X	In the annual report
Internal and External regulations		X	-		X	-		X	Internal regulation approval and description of generic legal provisions		X	Internal regulation awaiting approval		X	-		X	Mention of the internal regulation		X	Mention of the internal regulation	X		-
Acquisition of goods and services procedures		X	Generic description		X	-		X	Merely typifies acquisition procedures		X	Merely typifies acquisition procedures		X	-		X	Mentions the implementation of a supply management system	X		-	X		-
Transactions not performed in arm's length		X	N/A	X		-	X		-	X		-		X	-	X		-	X		-	X		-
List of suppliers representing over 5% of total supplies		X	11 entities listed		X	13 entities listed		X	10 entities and related amounts listed		X	10 entities and related amounts listed		X	Lists 5 entities in a governance chapter of the annual report		X	Lists 5 entities in a governance chapter of the annual report	X		-	X		-
Economic sustainability analysis		X	-		X	Merely states intentions	X		-	X		-		X	-	X		-	X		-	X		-
Social		X	-		X	Merely states	X		-	X		-		X	-	X		-	X		-	X		-

sustainability analysis						intentions																		
Environmental sustainability analysis		X	-		X	Merely states intentions	X		-	X		-		X	-	X		-	X		-	X		-
Evaluation on the compliance of good governance principles		X	In a table in the governance chapter of the annual report		X	-		X	-		X	Merely states compliance		X	-	X		-	X		-	X		-
Control of disclosed information		X	In a table in the governance chapter of the annual report		X	-		X	Indicates the institutional site where information can be found	X		-		X	-	X		-	X		-	X		-
Ethics Code		X	Approval of the ethics code	X		-	X		In preparation	X		-		X	-	X		-	X		-	X		-
Risk control system	X		-		X	In the governance chapter presents a description of risk management		X	Internal audit report and risk control system report	X		-		X	Mentions the creation of internal audit departments	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	Signed statement by the board declaring inexistence of conflict of interests	X		-		X	Signed statement by the board declaring inexistence of conflict of interests	X		-		X		X		-	X		-	X		-

** In March 1st, 2008 *Hospital de Santa Maria, EPE* and *Hospital Pulido Valente, EPE* merged into *Centro Hospitalar de Lisboa Norte, EPE*

Legend:
CHLN – Centro Hospitalar Lisboa Norte, EPE
HSM – Hospital de Santa Maria, EPE
HPV – Hospital Pulido Valente, EPE

Appendix 3 – Centro Hospitalar de S. João, EPE

MCR No. 49/2007	Centro Hospitalar de S João, EPE														
	2011**			2010			2009			2008			2007*		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	In the annual Report and paragraph 8.2 of the management report			In the annual Report and paragraph 9.2 of the management report		X	In the annual report		X	In the annual report		X	In the annual report
Objectives and level of compliance		X	In paragraph 8.3 of the management report		X	Mere indication of compliance with cost reduction objectives		X	Mere indication of compliance with cost reduction objectives	X		-	X		-
Management Board members' identification		X	In the annual report			In the management report		X	In the annual report		X	In the annual report		X	In the annual report
Management Board members' remuneration		X	Paragraph 8.2 of the management report			In the management report		X	In the annual report			In the annual report		X	In the annual report
Internal and External regulations		X	Internal regulation awaiting approval due to the merger		X	Several internal regulations by department		X	Several internal regulations by department		X	-		X	Several internal regulations by department
Acquisition of goods and services procedures		X	Disclosure in the management report in the annual report referring the purchasing internal regulation		X	Disclosure in the management report in the annual report referring the purchasing internal regulation		X	Disclosure in the management report in the annual report referring the purchasing internal regulation		X	-		X	Reference to the acquisitions' regulation
Transactions not performed in arm's length		X	Related parties transactions disclosed		X	Detail of transactions with related parties		X	Detail of transactions with related parties		X	N/A		X	Lists the related parties
List of suppliers representing over 5% of total supplies		X	In the management report		X	3 entities listed		X	3 entities listed		X	3 entities listed		X	3 entities listed
Economic sustainability analysis	X		-	X		-	X		-	X			X		-
Social sustainability analysis	X		-	X		-	X		-		X	In a separate chapter of the annual report	X		-
Environmental sustainability analysis		X	In a separate chapter of the annual report with reference to a environmental good practices manual		X	In a separate chapter of the annual report		X	In a separate chapter of the annual report		X	In a separate chapter of the annual report	X		-
Evaluation on the compliance of good governance principles		X	-		X	-		X	Merely states compliance	X		-	X		-
Control of disclosed information		X	Listed in the management report in the annual report	X		-	X		-	X		-	X		-
Ethics Code		X	Available in the institutional site		X	Approval of the code of ethics		X	Regulation of the audit committee	X		Merely describes a regulation regarding health rendering services and clinical tests	X		-
Risk control system		X	Referred to in the management report and risk prevention plan		X	Referred to in the management report and risk prevention plan	X		Merely refers the designation of an internal auditor	X		-	X		-

Conflict of interests prevention mechanisms		X	Signed statements by the board deposited in the district attorney's office		X	Signed statements by the board deposited in the district attorney's office		X	Signed statements by the board deposited in the district attorney's office	X		-	X		-

*Prior to 2007 *Hospital de S. João* was a PASH and did not have an annual report
**includes *Hospital Distrital de Valongo*

Appendix 4 – Centro Hospitalar Lisboa Central, EPE

MCR No. 49/2007	Centro Hospitalar de Lisboa Central, EPE																	
	2011			2010			2009			2008			2007 - CHLC			2006*Hospital de Santa Marta		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	In a separate chapter and in a subchapter of the governance chapter		X	In a separate chapter of the management's report		X	In the management report
Objectives and level of compliance		X	-		X	-		X	-		X	-		X	Lists objectives		X	Compares budget against real and analyses differences
Management Board members' identification		X	-		X	With Curricula		X	-		X	-		X	In the management's report		X	Disclosed in the Notes to the financial statements
Management Board members' remuneration		X	-		X	-		X	-		X	-		X	-		X	Disclosed in the Notes to the financial statements
Internal and External regulations		X	-		X	-		X	Besides Internal regime and several internal regulations, mentions National legal provisions		X	Internal regime approved by the Health Ministry		X	Internal regime awaiting approval by the Health Ministry. Quality accreditation	X		-
Acquisition of goods and services procedures		X	-		X	Description of procedures adopted and reference to recruitment internal regulation		X	Generic Paragraph	X		-	X		-	X		-
Transactions not performed in arm's length		X	N/A		X	N/A		X	N/A		X	N/A		X	N/A	X		-
List of suppliers representing over 5% of total supplies		X	10 entities disclosed		X	9 entities disclosed		X	5 entities disclosed	X		-		X	8 entities listed	X		-
Economic sustainability analysis		X	-		X	-		X	Enumerates objectives, compliance level and policies		X	-		X	Mentions objectives and measures	X		-
Social sustainability analysis		X	-		X	-		X	Enumerates objectives, compliance level and policies		X	-		X	Mentions objectives and measures	X		-
Environmental sustainability analysis		X	-		X	-		X	Enumerates objectives, compliance level		X	-		X	Mentions objectives and measures	X		-

									and policies									
Evaluation on the compliance of good governance principles		X	-		X	Table with indicators and corresponding level of compliance		X	Generic Paragraph stating the efforts towards compliance	X		-	X		-	X		-
Control of disclosed information		X	-		X	Table with disclosed information and indication of where it is disclosed	X		-	X		-	X		-	X		-
Ethics Code		X	Indication of the link to the site where the information can be consulted		X	-		X	Approved and available in the institutional site	X		-	X		-	X		-
Risk control system		X	Corruption risks prevention plan		X	Lists areas of action	X		-	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	Listing of existing mechanisms to assure board independence	X		-	X		-	X		-	X		-	X		-

*Hospital de *Santa Marta, EPE* was merged in 2007 with *Hospital S. José, Hospital S. António dos Capuchos* and *Hospital D. Estefânia* that were previously PASH
Legend:
CHLC - *Centro Hospitalar de Lisboa Central, EPE*

Appendix 5 – Centro Hospitalar do Porto, EPE

MCR No. 49/2007	Centro Hospitalar do Porto, EPE																				
	2011			2010			2009			2008			2007 CHP*			2007 HGSA**			2006 HGSA		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How	No	Yes	How
Mission and the way in which it is complied with		X	-		X	In a separate chapter of the Management's report		X	In a separate chapter of the Management's report		X	-		X	In a separate chapter of the Management's report		X	In the Management report		X	In the Management report
Objectives and level of compliance		X	-		X	In a subchapter of the Governance chapter		X	-		X	-		X	In the Management report in a chapter of governance		X	Merely descriptive	X		-
Management Board members' identification		X	-		X	-		X	In a subchapter of the governance chapter		X	-		X	In the Management report in a chapter of governance		X	In the Management report		X	In the Management report
Management Board members' remuneration		X	-		X	-		X	In a subchapter of the governance chapter		X	-		X	In the Management report in a chapter of governance	X		-	X		-
Internal and External regulations		X	-		X	-		X	In a subchapter of the governance chapter: Internal regime Quality accreditation policies manual Administrative and accounting procedures		X	Internal Regulation approved Several department regulations awaiting conclusion		X	Internal regulation awaiting approval and department regulations being prepared	X		-	X		-
Acquisition of goods and services procedures		X	-		X	-		X	Goods and services Purchasing regulation		X	Acquisition regulation approved		X	Procedures are being adapted	X		-	X		-
Transactions not performed in arm's length		X	N/A		X	N/A		X	N/A		X	N/A		X	N/A	X		-	X		-
List of suppliers representing over 5% of total supplies		X	-		X	3 entities listed		X	4 entities listed		X	4 entities listed		X	Did not exist	X		-	X		-
Economic sustainability analysis		X	-		X	-		X	In a subchapter of the governance chapter		X	In the governance chapter of the Management Report		X	Merely descriptive	X		-	X		-

Social sustainability analysis		X	-		X	-		X	In a subchapter of the governance chapter		X	In the governance chapter of the Management Report		X	Merely descriptive	X		-	X		-
Environmental sustainability analysis		X	-		X	-		X	In a subchapter of the governance chapter	X		-	X		-	X		-	X		-
Evaluation on the compliance of good governance principles		X	-		X	-		X	-		X	-		X	In the governance chapter of the Management Report	X		-	X		-
Control of disclosed information		X	-		X	Listed in Management report and in governance chapter	X		-	X		-	X		-	X		-	X		-
Ethics Code		X	-		X	-		X	Exists and can be accessed at www.chporto.pt	X		-	X		-	X		-	X		-
Risk control system	X		-	X		Only mentions internal control system - reference to the procedures of accounting and administrative control procedures.	X		-	X		-	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	-		X	-		X	-		X	-		X	Signed statement by the board declaring inexistence of conflict of interests	X		-	X		-

*After October, 1st 2007 *Hospital Geral de Santo António EPE* was merged with *Maternidade Júlio Dinis* and *Hospital de Maria Pia* and became *Centro Hospitalar do Porto, EPE*
** Until September 30th 2007 the only PEEH was *Hospital Geral de Santo António, EPE*
Legend:
CHP – *Centro Hospitalar do Porto, EPE*
HGSA – *Hospital geral de Santo António, EPE*

Appendix 6 – Centro Hospitalar da Cova da Beira, EPE

MCR No. 49/2007	Centro Hospitalar da Cova da Beira, EPE																	
	2011			2010			2009			2008			2007			2006		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	-		X	In the governance chapter in the annual report		X	In a separate chapter in the annual report
Objectives and level of compliance		X	-		X	Discloses objectives in quality accreditation		X	-		X	-		X	Lists objectives and policies to achieve them	X		-
Management Board members' identification		X	-		X	-		X	-		X	-		X	-		X	In a separate chapter in the annual report
Management Board members' remuneration		X	-		X	-		X	-		X	-		X	-		X	In a separate chapter in the annual report
Internal and External regulations		X	-		X	-		X	-		X	-		X	-		X	Reference to the internal regulation and department regulations
Acquisition of goods and services procedures		X	-		X	-		X	-		X	-		X	-		X	Mentions several legal provisions
Transactions not performed in arm's length		X	-		X	N/A		X	N/A		X	N/A		X	N/A		X	N/A
List of suppliers representing over 5% of total supplies		X	2 entities listed		X	1 entity listed		X	2 entities listed		X	3 entities listed		X	3 entities listed		X	2 entities listed
Economic sustainability analysis		X	-		X	-		X	Indicates the control of the economic activity		X	-		X	-		X	Generic paragraphs
Social sustainability analysis		X	Disclosure of policies to help the elderly patient		X	-		X	-		X	-		X	-		X	Generic paragraphs
Environmental sustainability analysis		X	Energetic efficiency policies		X	Waste management		X	Refers environmental projects such as solar panels		X	-		X	-		X	Generic paragraphs
Evaluation on the compliance of good governance principles		X	-		X	Merely states compliance	X		-	X		-		X	-		X	Merely states compliance
Control of disclosed information		X	-		X	In a governance chapter in the annual report	X		-	X		-	X		-	X		-
Ethics Code	X		-	X		Merely mentions the ethics committee	X		-	X		-		X	-		X	Mention to the ethics code
Risk control system	X		-	X		Corruption Risks prevention plan	X		-	X		-	X		-	X		-

Conflict of interests prevention mechanisms		X	-		X	Lists transactions that may cause conflict of interests	X		-	X		-	X		-	X		-

Appendix 7 – Hospital Distrital da Figueira da Foz, EPE

MCR No. 49/2007	Hospital Distrital da Figueira da Foz, EPE																	
	2011			2010			2009			2008			2007			2006		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	In the governance chapter in the annual report		X	In a separate chapter in the annual report	X		-
Objectives and level of compliance		X	-		X	-		X	-		X	-		X	Lists objectives		X	Defines objectives for the following year
Management Board members' identification		X	-		X	-		X	-		X	In the governance chapter in the annual report		X	-		X	In the annual report
Management Board members' remuneration		X	-		X	-		X	-		X	In the governance chapter in the annual report		X	In a separate chapter in the annual report	X		-
Internal and External regulations		X	Several regulations added to the existing ones		X	-		X	-		X	-		X	Refers the internal regulation and other legal provisions	X		-
Acquisition of goods and services procedures		X	-		X	-		X	-		X	Paragraph referring legal provisions applicable	X		-	X		-
Transactions not performed in arm's length		X	-		X	-		X	N/A	X		-	X		-	X		-
List of suppliers representing over 5% of total supplies		X	-		X	-		X	N/A	X		-	X		-	X		-
Economic sustainability analysis		X	-		X	-		X	For objectives indicated in past years indicates level of compliance		X	Defines objectives and measures to be taken	X		-	X		-
Social sustainability analysis		X	-		X	-		X	For objectives indicated in past years indicates level of compliance		X	Defines objectives and measures to be taken	X		-	X		-
Environmental sustainability analysis		X	-		X	-		X	Defines objectives regarding improvement in waste management		X	Generic paragraph only	X		-	X		-
Evaluation on the compliance of good governance principles		X	-		X	-		X	-		X	Merely states compliance	X		-	X		-
Control of disclosed information		X	-		X	Control of information disclosed in a table	X		-	X		-	X		-	X		-

						indicating the place of disclosure												
Ethics Code		X	Ethics code approved and available in the institutional site	X		-	X		-	X		Ethics Commission	X		-	X		-
Risk control system		X	Lists several risks and refers the implementation of an internal control system		X	Corruption risks prevention plan approved		X	Indicates some risks and the intention to create a risk system	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	-		X	Paragraph stating that board members do not intervene in decisions where there may exist conflict of interests	X		-	X		-	X		-	X		-

Appendix 8 – Hospital de Santa Maria Maior, EPE

MCR No. 49/2007	Hospital de Santa maria Maior, EPE																	
	2011			2010			2009			2008			2007			2006		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	In a chapter of governance in the annual report		X	In a chapter of governance in the annual report		X	-		X	-		X	In a chapter of governance in the annual report
Objectives and level of compliance		X	-		X	In a separate chapter in the annual report	X		-		X	In a separate chapter in the annual report	X		-		X	In a table in the annual report in a chapter of economic activity
Management Board members' identification		X	-		X	-		X	-		X	-		X	-		X	Listed in the annual report
Management Board members' remuneration		X	-		X	-		X	-		X	-		X	-		X	In ordinance No. 351/2006, 31 march and in a table in the annual report
Internal and External regulations		X	-		X	-		X	Internal regulation approved as well as several other generic regulations	X		-		X	-		X	Internal regulation approved
Acquisition of goods and services procedures		X	-		X	-			Purchasing and subcontracting regulations	X		-	X		-		X	Linked to the internal regulation
Transactions not performed in arm's length		X	-		X	-		X	N/A	X		-	X		-	X		-
List of suppliers representing over 5% of total supplies		X	-		X	-		X	N/A	X		-	X		-	X		-
Economic sustainability analysis		X	In a chapter of governance in the annual report detailing by sustainability type		X	-		X	Merely focus the economic and financial chapters of the annual report	X		-	X		-		X	Merely focus the economic and financial chapters of the annual report
Social sustainability analysis		X	In a chapter of governance in the annual report detailing by sustainability type		X	-		X	HR policies, social policies referring problems with Alcoholism	X		-	X		-		X	HR policies, social policies referring problems with Alcoholism
Environmental sustainability analysis		X	In a chapter of governance in the annual report detailing by sustainability type		X	-		X	Waste management policies, gas emission reduction, substitution of propane gas for natural gas	X		-	X		-		X	Waste management and gas emission reduction

Evaluation on the compliance of good governance principles		X	-		X	Lists the items in the MCR No. 49/2007 and the way in which they are complied with		X	Merely states compliance	x		-	X		-		X	Merely descriptive
Control of disclosed information		X	-		X	Control of information disclosed in a table indicating the place of disclosure in the institutional site	X		-	X		-	X		-	X		-
Ethics Code		X	Disclosed in the institutional site		X	Not available	X		Not concluded	X		-	X		-	X		Ethics commission creation
Risk control system		X	Mere reference to the corruption risks plan		X	Corruption risks plan in preparation and other regulations	X		Merely states that an evaluation of risks has been performed	X		-	X		-	X		-
Conflict of interests prevention mechanisms		X	-		X	Communication to the tax authorities of the members of the board income statements	X		-	X		-	X		-	X		-

Appendix 9 – Hospital Infante D. Pedro, EPE

MCR No. 49/2007	Hospital Infante D. Pedro, EPE																	
	2011			2010			2009			2008			2007			2006		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	In a chapter of governance in the annual report		X	-		X	In the annual report
Objectives and level of compliance	X		-		X	-		X	Defines strategic objectives	X		-			-		X	Comparison between budget and real
Management Board members' identification		X	-		X	-		X	-		X	In a chapter of governance in the annual report		X	-		X	In the annual report
Management Board members' remuneration		X	-		X	-		X	-		X	In a chapter of governance in the annual report		X	In the annual report		X	In the annex to the financial statements
Internal and External regulations		X	-		X	Several internal regulations regarding accounting, purchase management, fixed assets in preparation		X	-		X	Internal regulation and reference to other legal provisions in force	X		-		X	Internal regulation in preparation
Acquisition of goods and services procedures		X	-		X	-		X	-		X	Internal regulation and purchasing procedures	X		-	X		-
Transactions not performed in arm's length		X	-		X	-		X	-		X	N/A	X		-	X		-
List of suppliers representing over 5% of total supplies		X	2 entities listed		X	In a chapter of governance in the annual report	X		-	X			X		-	X		-
Economic sustainability analysis		X	-		X	-		X	-		X	In a chapter of governance in the annual report Efficiency increase and higher budgetary control	X		-	X		-
Social sustainability analysis		X	-		X	-		X	-		X	In a chapter of governance in the annual report - promoting equity and cooperation with several institutions	X		-	X		-

Environmental sustainability analysis		X	Lists policies in this area		X	-		X	-		X	In a chapter of governance in the annual report - Hospital waste management	X		-	X		-
Evaluation on the compliance of good governance principles		X	Merely states an intention to comply	X		-	X		-	X		Merely states the intention of complying	X		-	X		-
Control of disclosed information	X		-	X		-	X		-	X			X		-	X		-
Ethics Code		X	-		X	Ethics code approved and disclosed		X	-		X	Ethics code in preparation	X		-	X		-
Risk control system	X		-	X		-	X		-	X			x		-	x		-
Conflict of interests prevention mechanisms		X	-		X	Discloses policies implemented to prevent conflict of interests	x		-	X		-	X		-	X		-

Appendix 10 – Unidade Local de Saúde de Matosinhos, EPE

MCR No. 49/2007	Unidade Local de Saúde de Matosinhos, EPE																	
	2011			2010			2009			2008			2007			2006		
	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	Improvement	No	Yes	How
Mission and the way in which it is complied with		X	-		X	-		X	-		X	-		X	In a chapter of governance in the annual report		X	In the management report
Objectives and level of compliance		X	-		X	Compares financial with budget		X	-		X	-		X	Compares budget with financial statements	X		-
Management Board members' identification		X	-		X	-		X	-		X	-		X	In a chapter of governance in the annual report		X	In the notes to financial statements
Management Board members' remuneration		X	-		X	-		X	-		X	-		X	In a chapter of governance in the annual report	X		-
Internal and External regulations		X	-		X	Internal regulation approved		X	-		X	Internal regulation update		X	Internal regulation and several other legal provisions		X	Only lists the relevant national legislation
Acquisition of goods and services procedures		X	-		X	Purchase regulation		X	-		X	-		X	Mere descriptive referring internal regulation	X		-
Transactions not performed in arm's length		X	N/A		X	N/A	X		-	X		-		X	Disclosure of related parties	X		-
List of suppliers representing over 5% of total supplies		X	4 entities listed	X				X	-		X	-		X	6 entities listed	X		-
Economic sustainability analysis		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-
Social sustainability analysis		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-

Environmental sustainability analysis		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-		X	-		X	Detail and evaluation of policies in a governance chapter of the annual report and evaluation	X		-
Evaluation on the compliance of good governance principles		X	-		X	Lists good governance principles and the way in which they are met	X		-		X	-		X	Mere description stating compliance	X		-
Control of disclosed information		X	Control of information disclosed in a table indicating the place of disclosure	X		-	X		-	X				X	Merely descriptive in the governance chapter of the annual report	X		-
Ethics Code		X	-		X	-		X	Code of ethics approved and disclosed in the institutional site	X		-	X		Code of ethics in preparation	X		-
Risk control system		X	-		X	In the governance chapter of the annual report listing prevention mechanisms	X		-		X	-		X	Existence of internal auditor Mere description in the annual report		X	Makes a reference to the Risk management system Manual.
Conflict of interests prevention mechanisms	X		-		X	-		X	-	X		-			-	X		-