

# Greek utilities fail to get right recruits <sup>FT</sup> 4/4

## Kerin Hope finds slow progress as state-owned groups look to the private sector for senior staff

Greece's attempt to recruit senior executives from the private sector to restructure public utilities and ailing state-owned transport corporations is making painfully slow progress.

A year after the Socialist government launched the scheme, only one out of 30 projected appointments has been made.

Mr Giorgios Goulios, a former Greek air force officer who worked for Secma, the French defence electronics supplier, took over in February as managing director of Hellenic Aerospace Industry, which carries out repairs and maintenance for the Greek air force.

He was the first chief executive appointed under legislation passed last year to eliminate political interference and introduce international management standards at state corporations.

A government official said the law was aimed at "ending a pernicious practice of patronage appointees running state-owned companies, often without any qualifications other than their ties to the governing party".

The law also calls for setting quantitative targets for each corporation that can be used to assess the managing director's performance.

To ensure that managers cannot be sacked or penal-



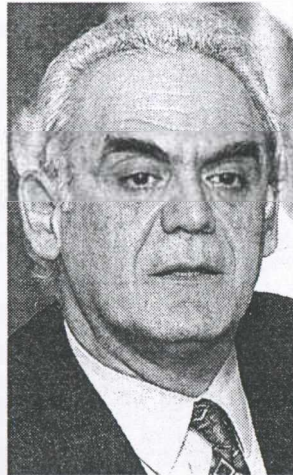
Vasso Papandreou, Greek development minister: political appointees followed her intervention

ised because of a change of government, it provides for five-year contracts and performance-related salaries.

However, cabinet ministers have been reluctant to give up the privilege of appointing chief executives. Procedures for selecting advisers to find Greek managers with international experience have been delayed.

And some qualified managers are unwilling to run state corporations because of fears that the powerful public sector unions will oppose their efforts at restructuring.

Mr Goulios's appointment

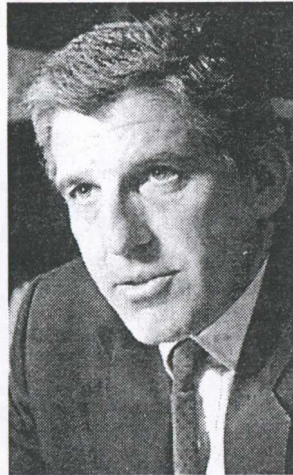


Akis Tsochatzopoulos, defence minister: had to be dissuaded from appointing relation of union leader

was the first success for the economy minister, Mr Yannis Papantoniou, who has the task of persuading his cabinet colleagues that professional managers are needed to overhaul the state corporations and so help reduce the public sector deficits.

Kantor Management Consultants, the Greek affiliate of Arthur D. Little and the government's adviser on finding a chief executive for the aerospace company, recommended Mr Goulios for the job.

But Mr Akis Tsochatzopoulos, the defence minister,



Yannis Papantoniou, economy minister: has to persuade colleagues of merits of professional managers

and other senior members of the governing Panhellenic Socialist Movement had to be dissuaded from appointing a former Olympic Airways pilot who is related to a prominent Pasok trade union leader.

By contrast, two other chief executive posts at state corporations have gone to political appointees following the intervention of Ms Vasso Papandreou, the independent-minded development minister.

Mr Eleftherios Tzellas, who has spent most of his career in the public sector and worked for Ms Papan-

dreou while she was European Commissioner for social affairs, took over the Public Petroleum Corporation (DEP), the state holding company for oil refining and trading in petroleum products.

He will oversee DEP's restructuring ahead of the planned flotation of 10 per cent of its equity on the Athens stock exchange at the end of the year.

Mr Tzellas claims that he is willing to resign once DEP's flotation is completed but says his appointment is justified, "because there are very few big private companies in Greece, which means there isn't a pool of senior managers available to run big state corporations with thousands of employees".

At the Public Gas Corporation (DEPA), which is preparing a \$700m project to set up privately operated commercial and household distribution networks in Greece for Russian natural gas, the managing director's job went to Mr Savvas Papaphilippou, a senior executive with Helleniki Technodomiki, a private Greek construction company, who has long-standing ties with Pasok.

Development ministry officials claim that both companies are so far behind schedule with privatisation that time cannot be spared to

find managing directors through a lengthy headhunting process.

Because privatisation is still a politically sensitive issue, managers with links to Pasok are more likely to avert a potentially disastrous clash with the unions, they add.

Greece's biggest company, OTE, the state telecoms monopoly, still lacks a managing director with international experience after the failure of Kantor's efforts last year to find a senior telecoms executive who could also speak Greek.

Mr Petros Lambrou, a former Pasok treasurer with a background in the Greek mining industry, will remain in charge this year and supervise the flotation of a second tranche of OTE on the Athens stock exchange.

The law is being revised so that candidates are no longer required to have experience in the same sector as the corporation's activities but must have spent five years as a senior executive in a large international company.

This change may help speed appointments at other state corporations, such as the loss-making Hellenic Railway Organisation and the water and sewage companies, where the process of finding new managing directors has not yet started.