

**NEW PUBLIC MANAGEMENT IN CYPRUS:  
INTRODUCTION, ADOPTION AND  
IMPLEMENTATION OF NPM, THE RELATIONSHIP  
BETWEEN THE PUBLIC AND PRIVATE SECTOR**

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**ABSTRACT**

This thesis is a study of public sector reform in the context of economic crisis. The thesis examines the introduction of new management practices to the Cyprus civil service, with the aim of understanding the role of various actors, internal and external to Cyprus, in influencing the policy agenda. Based on semi-structured interviews with key players, the research captures a civil service at the point of transition.

The government of Cyprus has been under pressure to introduce reforms since joining the European Union in 2004. Nevertheless, political and social factors have made previous attempts to reduce civil service staffing and introduce practices influenced by ‘New Public Management’ (NPM) have been unsuccessful. The current programme of reforms, by contrast, have resulted from coercive influence of the ‘Troika’ following the economic crisis, which has added weight to an existing tendency towards normative isomorphism. The research finds a recognition of the desirability of ‘modernisation’ amongst policy-makers, civil service managers and trade unionists alike. This finding, which might be surprising in other national contexts, may be explained by the island’s historical legacy of political patronage and clientelism. NPM initiatives are regarded as being beneficial, overall. This, in turn, suggests a reappraisal of the nature of bureaucracy in Cyprus, which would indicate that it has not lived up to its reputation for being meritocratic and impartial, and is regarded by the actors as a barrier to progress.

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## **LIST OF ABBREVIATIONS**

<b>AKEL</b>	- Progressive Party of Working People
<b>BRWG</b>	- Better Regulation group
<b>CAF</b>	- Common Assessment Framework
<b>CAPA</b>	- The Cyprus Academy of Public Administration
<b>CSC</b>	- Civil Service Committee
<b>DA</b>	- Discourse Analysis
<b>DIKO</b>	- Democratic Party
<b>DISY</b>	- Democratic Rally
<b>ECB</b>	- European Central Bank
<b>EDEK</b>	- Movement for Social Democracy
<b>EMU</b>	- European Monetary Union
<b>eOAS</b>	- Electronic Office Automation System
<b>ESRC</b>	- Economic and Social Research Council
<b>EC</b>	- European Community
<b>EU</b>	- European Union
<b>EUPAN</b>	- The European Public Administration Network
<b>GDP</b>	- Gross Domestic Product
<b>GT</b>	- Grounded theory
<b>HRM</b>	- Human Resources and Management
<b>HRMG</b>	- Human Resource Management Group
<b>ICTs</b>	- Information, Communication and technology Systems ICTs
<b>IMF</b>	- International Monetary Fund
<b>IPA</b>	- Interpretative phenomenological analysis
<b>IPSG</b>	- Innovative Public Services Group
<b>IT</b>	- Information Technology
<b>NPM</b>	- New Public Management
<b>OECD</b>	- Organisation for Economic Co-operation and Development
<b>PA.SY.D.Y.</b>	- Pancyprrian Public Employees Trade Union
<b>PAPD</b>	- The Public Administration & Personnel Department
<b>TA</b>	- Thematic Analysis

**TQM** - Total Quality Management

**TROIKA** - (EC, ECB, IMF)

**VAT** - Value Added Tax

# CHAPTER I

## INTRODUCTION

### 1.1 Introduction

*Governments introduced every conceivable measure possible to fix their operations.*  
(Peters & Savoie, 1998: 4)

*The proponents of NPM maintain that it will “improve public services by making public sector organisations much more ‘business-like’.”* (Diefenbach, 2009: 892)

*The adoption of NPM by an increasing number of countries world-wide has been described as one of the most striking international trends in public administration.*  
(Hood, 1991: 3)

In the last two decades, public management reform has become an important subject in many developed and developing countries. Its significance has increased in response to economic, institutional and ideological changes, as well as in its capacity to measure the improvement of government effectiveness and as a response to criticisms of the costly public sector. For all of these reasons, public sector reforms have become an international phenomenon (Bennington & Cummane 2000; Hughes 1998 in Samaratunge & Bennington 2002). In the 1980s, problems such as fiscal deficits and the growth of neo-liberal market economics led governments to exert concerns about the cost and size of government in relation to the growth of the private sector (Haque, 2001 in Samaratunge & Bennington 2002). This has led to the emergence of processes for restructuring government organisations and services, leading to better outcomes and a more efficient and cost-effective public sector, through the adoption of a range of policies and practices now conventionally grouped under the heading ‘New Public Management’ (NPM) (Samaratunge & Bennington, 2002). The changes associated with New Public Management (NPM) have been designed to ensure that public sector organisations become very similar to their private sector counterparts (Box 1999; Boyne 2002 in Poole et al 2006). Over the last two decades, several Anglo-Saxon countries have introduced administrative/managerial reform movements under different names, such as New

Public Management (NPM), managerialism, entrepreneurial government, and reinventing government.

Increasing interest in NPM is evident in several claims such as “a paradigmatic change”, “an inevitable movement” (Osborne & Gaebler, 1992), which would be suitable to the administrative systems of most of the countries to rectify the inefficiency and ineffectiveness of their bureaucracy. However, NPM sceptics object to these ideas, as they question whether NPM is a one-size-fits-all approach. For instance, for NPM to be a global phenomenon, it must be embraced by other countries apart from Anglo-Saxon nations. Although NPM has attracted the interest of many people from several different economies, advocates see NPM as a universally applicable model (Hood, 2006). However, evidence of the successful transfer of such policies to economies outside the anglo-saxon countries is extremely limited (Hood, 2006).

Twenty five years after the term New Public Management was first used to delineate a modern, economically rational alternative to bureaucratic state organisation, there were already suggestions that the model had outlived its usefulness (Dunleavy et al., 2006; Levy, 2010), or even that it had never represented a coherent programme for reform or a coherent political agenda (Hughes, 2003). The world economic crisis, which began in 2008, prompted a new wave of analyses suggesting that NPM, identified as an inherently 'neo-liberal' approach, was being supplanted, either by less overtly ideological forms, or in favour of a re-examination of the merits of bureaucratic organisation (Birchall 2012; Levy, 2010; de Vries and Nemec, 2012). The common theme of the criticism has been that there is a lag between policy and practice. NPM describes a bundle of linked policies and it no longer realistic to portray this bundle in an orthodox manner, in which it is something that can potentially be universally applied. The argument developed in this thesis questions this view.

While particular formulations of what constitutes NPM clearly need revision over time, the evidence presented here suggests that the standard version is far from being obsolete. NPM is a “shopping-basket” of various reforms that do not all point in the

same direction (Christensen and Laegreid, 2011), and in some countries the transmission of NPM ideas from outside their borders might be more usual, whereas in others, the reform process might result from national or local initiatives. Thus, the diffusion of NPM is a complex process and depends on the norms and values of each country or government and the contexts in which it will be used, all of which might alter the stages and broader trajectory it follows.

This research attempts to answer what factors cause the government of Cyprus to adopt and implement NPM reforms. It also seeks to better understand the adoption, introduction and implementation of NPM-type reforms within the public sector of Cyprus.

As is common in public sector restructuring, NPM-type change in Cyprus has rested on an implicit contrast with a 'traditional' model that is presented as inefficient, slow and self-serving (Mylonas, 2004). The word 'bureaucratic' used in its recent, pejorative sense, sums up this description. There is a clear recognition of the merits of bureaucracy as professional, meritocratic and non-partisan, but also that such qualities are already compromised. The impetus for change came from the demands of the EU, European Central Bank (ECB), and the International Monetary Fund (IMF) (also known as the 'Troika') who have lent money to Cyprus following the country's banking crisis in 2012. This meant that semi-government organisations have to be privatised and expenditure on the public sector must be reduced as conditions for receiving continued funding and remaining a member of the eurozone. These same external, coercive pressures are now happening elsewhere in Europe.

Chapter Two looks at how developed countries have studied NPM practices but notices that such studies in developing countries are less common. To that end, there is no evidence of how NPM-type reforms work in the public sector of Cyprus. In addition, very significant changes are underway that are not grounded in any empirical research by the Cyprus government, nor have they been the focus of any detailed academic study. This research, then, is the first academic study of a set of initiatives that may yet form the benchmark for future public sector reorganisation in Europe. These theoretical weaknesses have far reaching practical implications. An



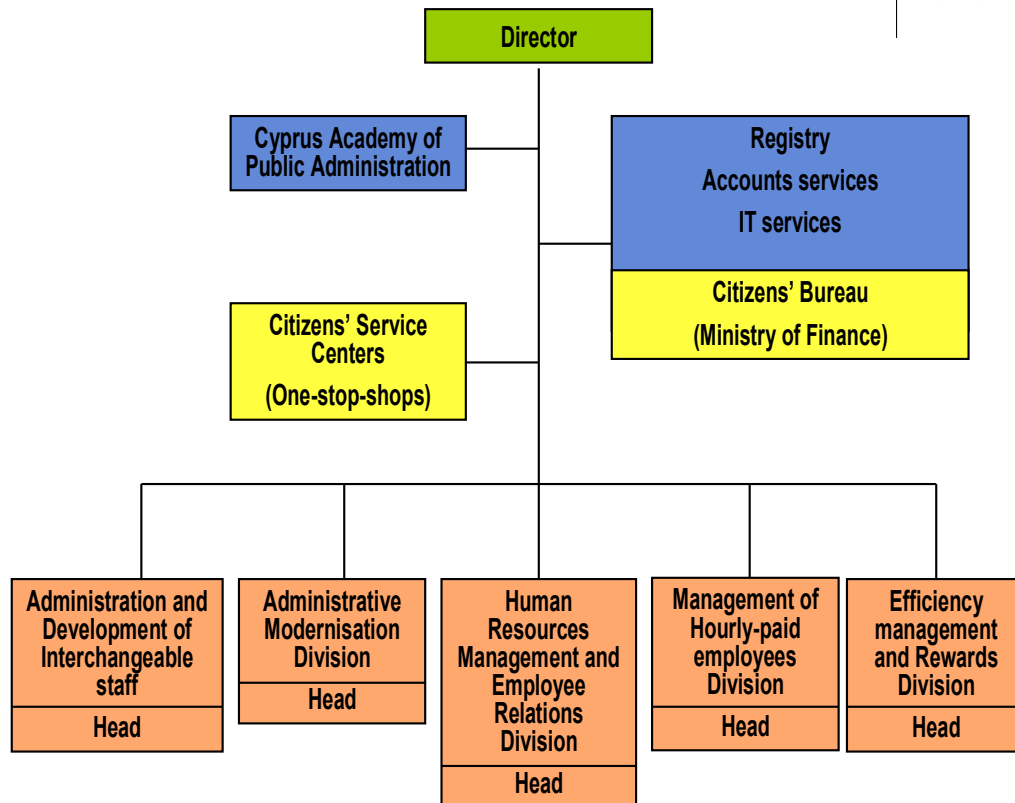
ineffective public sector can be counterproductive towards development efforts particularly at this significant time for the Cyprus where the current economic crises are spurring the government of Cyprus to introduce and implement reforms.

Similarly, understanding the introduction, adoption and implementation of NPM reforms is not only important theoretically, but also has practical implications. As the Cypriot government entered into a bailout agreement with the EU-ECB-IMF 'Troika' in June 2012, it is embarking upon introducing a process of structural reforms and management practices to the public sector in order to enhance competitiveness, sustainability and balanced growth. Under these circumstances, the government needs to begin an economic adjustment programme to restore the health of the financial sector, and the idea of isomorphism is being used as an instrument to bring management reforms to the Cypriot public sector.

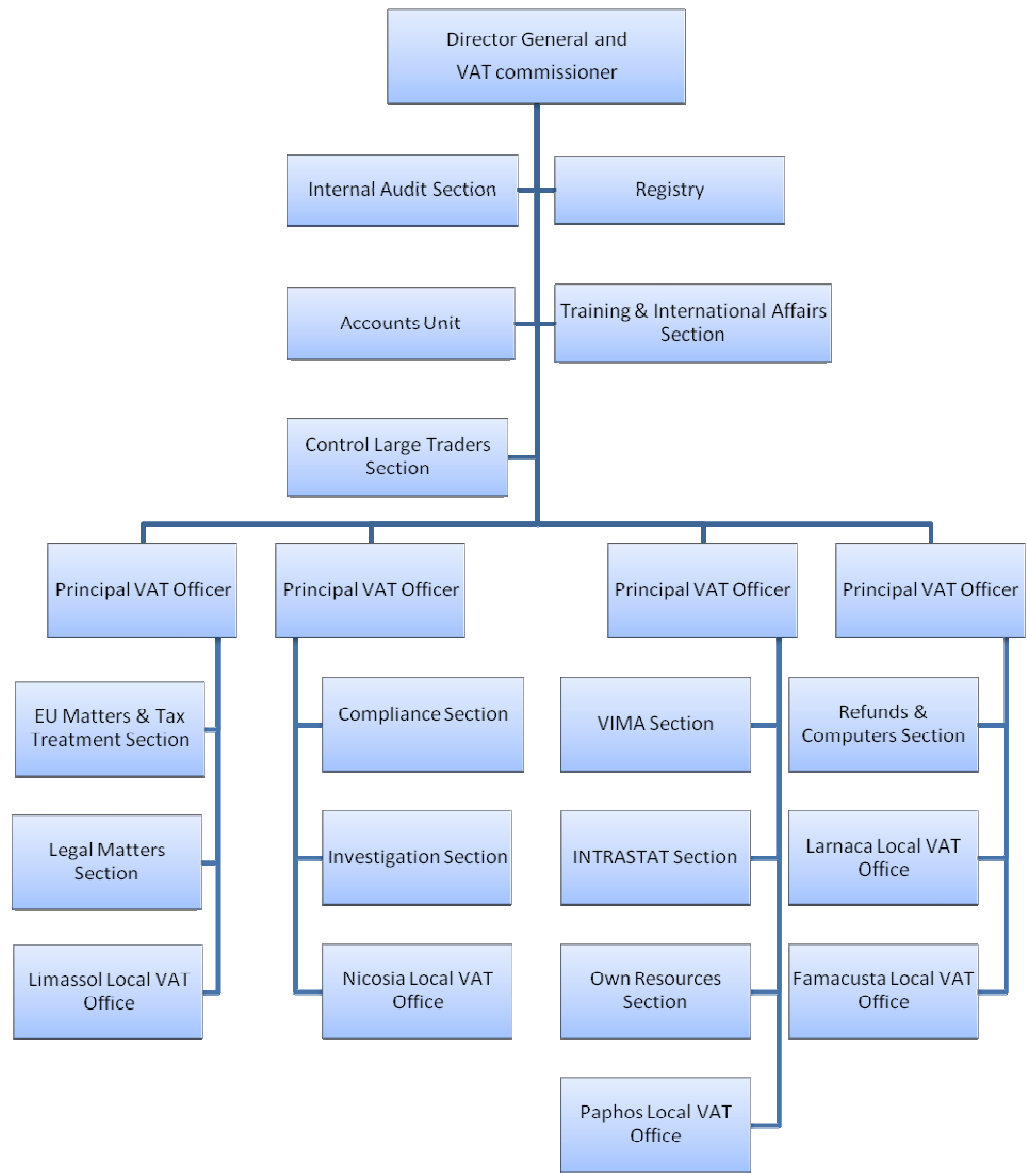
For the purpose of the study, special attention is given to Cyprus's civil service departments of Value Added Tax (VAT), the Cyprus Academy of Public Administration (CAPA), and the Public Administration & Personnel Department (PAPD), where there is an increased interest in the major elements of NPM. The organisation charts of these departments are presented in the *Figures 1.1, 1.2 and 1.3*.

As the economic crisis unfolded, a major transformation of the public sectors was set in motion to find ways to eliminate pressures by changing their practices. Powell and DiMaggio (1991) assert that all organisations are inclined towards 'isomorphic processes'. The EU has a powerful influence on Cyprus and policy transfer to member states can be defined as 'coercive' since the EU is the donor agency imposing its conditions on the Cypriot government to adopt certain policies and regulations. Coercive pressures encourage reforms and improvements of the regulatory framework of Cyprus so to comply with the legal framework of the EU.

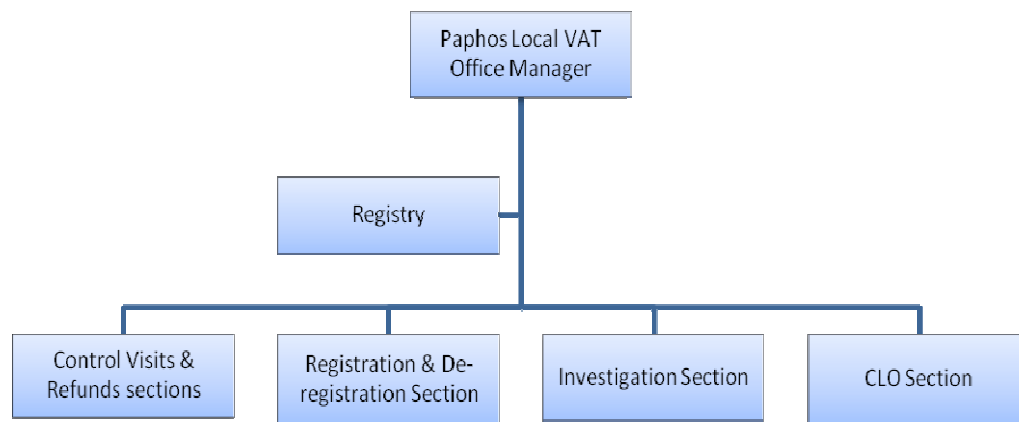
**Figure 1.1.**  
**Organizational Structure of the Public  
 Administration and Personnel Department**



**Figure 1.2 Organisation Chart of VAT Office**



**Figure 1.3 Organisation Chart of Paphos Local VAT Office**



The VAT office, PAPD and CAPA departments have emerged as the central actors driving and triggering institutionalization of NPM in the public sector. The empirical study was designed with these factors in mind to test the notions underlying NPM as it is put into effect in the Cypriot public sector.

## **1.2 The research questions**

This study examines the potential of introducing and implementing the main concepts and elements of NPM in the Cypriot public sector. Based on the purpose of this research and the existing literature on public administration in Cyprus, specific research questions related to the goals of the present study have been formulated as follows:

- What is New Public Management and what does it involve?
- Why are NPM reforms being adopted and implemented in the public sector of Cyprus?
  - What factors have caused the public administration to adopt NPM reforms?
  - What are the reasons behind these factors?
  - To what extent do either internal or external factors influence the adoption of these reforms?
  - How do these factors contribute to the implementation of the NPM reforms

### **1.3 The theoretical framework**

The introduction and adoption of private sector management practices and NPM models in Cypriot public administration is the main area of interest in this study. Decentralization, private-sector-style management practices, contracting out, performance-based management, information, communication and technology systems (ICTs) in public service delivery, cost-cutting, and downsizing are all variables that will be part of the introduction and adoption of NPM. Political systems, the social, cultural and economic contexts, bureaucratic systems, political patronage and clientelism, globalisation and pressures from the EU influence the applicability of NPM elements in various countries.

The introduction and development of NPM is determined by the changeable political and socio-economic environment of international markets, in addition to the influence of the European Community and the politico-administrative systems of each country that exerts pressure on other governments to improve their role (OECD, 2000a). Moreover, there is an international trend towards public sector convergence, which, according to Pollitt, is linked to the principles and elements of NPM (Pollitt 2003 in Poole et al. 2006). Changes related to NPM have been made in various countries to ensure that public organisation practices converge with those of the private sector, which has initiated a trend of substantial convergence with its model. According to Powell and DiMaggio (1991), this convergence is an “isomorphic process”, of which there are three types: “coercive isomorphism”, “mimetic isomorphism”, and “normative isomorphism”. The idea of isomorphism is associated with the modernisation of public management when organisations are subjected to outside coercive scrutiny and regulation (Frumkin & Galaskiewicz, 2004). As the pressures from the EU grow, the government of Cyprus needs to find ways to eliminate these pressures by changing its practices.

The mimetic process is another kind of isomorphism associated with modernising the public sector. The European Public Administration Network (EUPAN) is a European organisation where all the associated members can share and adapt their experiences and characteristics. EUPAN has a profound effect on the Cypriot public sector, as

EUPAN's mission is to improve the performance of its members' public administrations by developing new tools and methods based on the exchange of views, experiences and good practices among associate countries. The third notion of the process of isomorphism is the term "normative", and is related to the training of public sector employees. In Cyprus, CAPA contributes to improving the efficiency and efficacy of the Cypriot public sector and its modernisation through management training, consultancy and applied research.

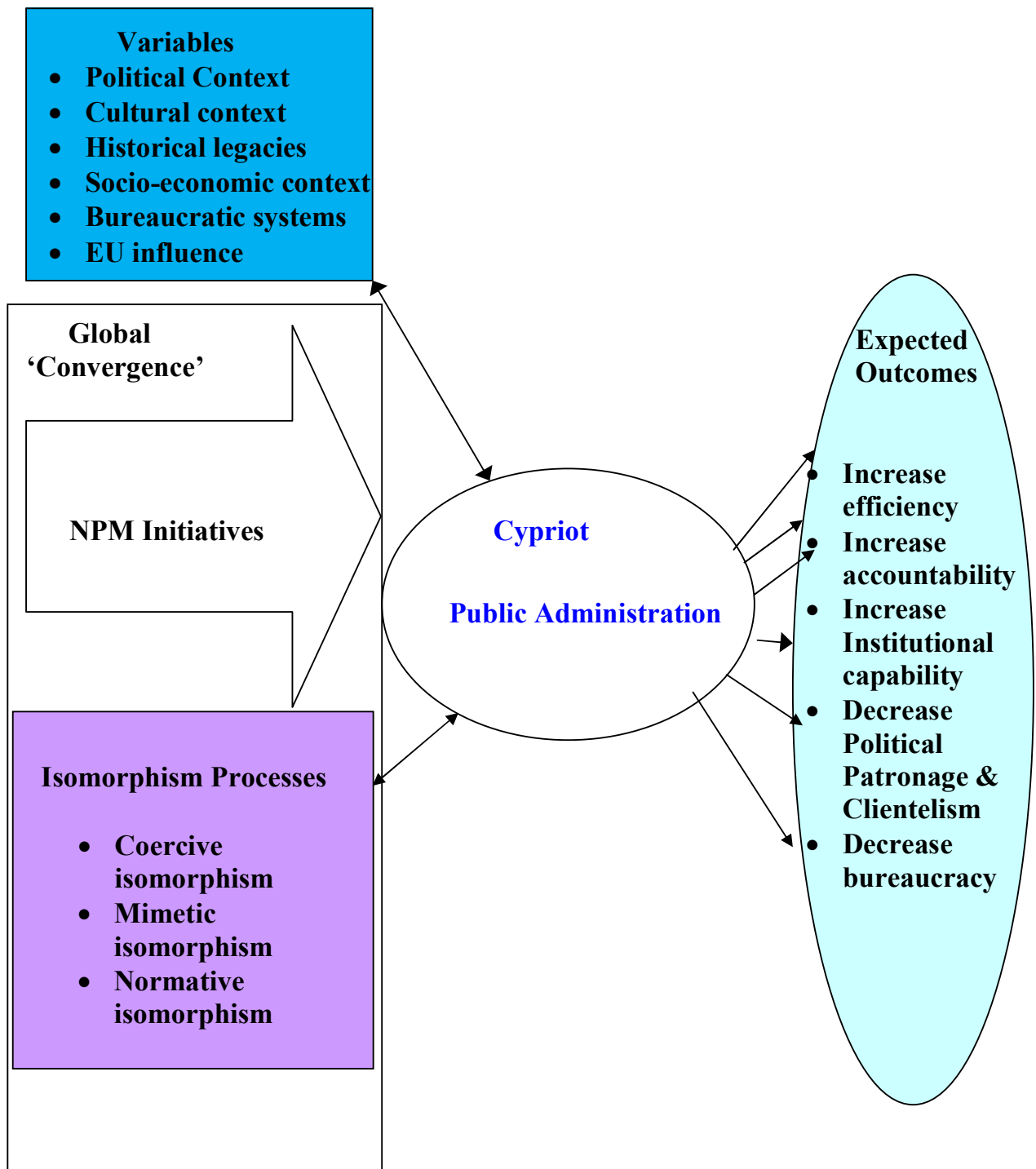
The research presented here shows that the relatively easy acceptance of NPM measures in Cyprus has been partly because of a wide acceptance that some measures of modernization and managerial accountability are necessary to instill professional practice and to counter long-standing problems of nepotism and clientelism in the public sector. The economic crisis has provided advocates of reform with such an opportunity and the period since 2008 has seen a significant convergence of agendas across the political spectrum. The conceptual framework is presented in *Figure 1.4*.

Many authors have noted that environmental factors may influence the adoption of NPM in many countries (Bale & Dale, 1998), indicating that the principles of NPM can be influenced by various inherent contextual factors. The influence of the island's historical legacies, government, socio-economic context, political patronage and clientelism, as well as globalisation and the effect of EU membership, will negatively or positively influence public administration reforms. Reformers need to find solutions that are appropriate to their national contexts and their reform objectives. The following section demonstrates how these moderating factors have influenced public administration reforms.

### **The cultural context and public administration reforms**

Standing at the crossroads between three continents, Cyprus is the third-largest island of the Mediterranean basin (9,251 square kilometres), following Sicily and Sardinia. Geographically it lies 64 kilometres off the southern Turkish coast, and a little under

**Figure 1.4 The Conceptual framework**





400 kilometres north of Egypt, with Syria as the closest eastern nation some 97 kilometres away. Once a British colony, after initially gaining its independence in 1960, in 1974 Cyprus was forcibly partitioned following a Turkish invasion. The northern part, comprising 37% of the island, is under autonomous Turkish rule, while the southern part comprises the democratic and independent Republic of Cyprus (Ministry of Education and Culture, 2008).

After Cyprus gained its independence from Great Britain in 1960, many Western norms and regulations were adopted by the new Republic. The practices and structures established since independence are too entrenched to allow radical changes and improvements. Bureaucracy appears to be an unreformed historical survivor inherited by every new elected government. Politicians always perceived reforms and changes as a threat to their political and economic privileges. Political patronage and clientelism are considered important features of Cypriot society (Faustmann, 2010).

National cultures are important factors and influence the implementation of NPM reforms either positively or negatively. According to Schein (1992) cultures comprise the inherited beliefs, values, attitudes, behaviours and views of the community. “Socio-cultural studies of individualisation of Western European societies measure values about family, church, work, politics, state, and so on” (Ester et al. 1994 in Kickert 2011:806). Traditionally the most important institution in Greek Cypriot society is the family.

In order for reform to be successfully implemented, it should initially take into account those factors surrounding national and local socio-cultural context, and closely observe the range of organisational structures, since these differ by country according to the aforementioned factors (Ormond and Loffler, 1998). According to a study conducted by Grindle (1997), based on evidence from 29 organisations in six countries, significant elements conducive to an effective organisational culture and results include: clarification and maintenance of a clear purpose, effective management style, and specific goals for a given organisation. Given the overall socio-cultural and economic profile of Cyprus, based on all of the above points,

aspects of NPM appear to be potentially applicable to Cyprus. In particular, Cypriot culture has the power to implement NPM reforms; however, the organisational structure of the public sector raised significant obstructions for innovation, flexibility, transparency and decentralisation, since path dependency maintains a traditional mentality and includes outdated processes.

### **The socio-economic context and public administration reforms**

Phenomena such as economic stagnation and fiscal crises are bound to affect the whole process of NPM, as they also influence public management reforms. According to Sedgwick (1996), public management reforms in Australia and New Zealand were obstructed by fiscal problems. Nowadays, the global economic crisis constitutes one of the factors spurring governments to introduce and adopt NPM practices, since crises oblige governments to control public expenditure, to adopt measures that include reductions in the government sector, employment growth a tight fiscal policy (Larbi, 2003). Moreover, the economic / fiscal pressures on governments have been a major driver for restructuring the public sector and reshaping the role of government (Larbi, 2003). Under these circumstances the governments of some countries may play a reduced role in national economic management, whereas in others there is a shift towards NPM practices.

Methods of controlling fiscal deficits and public sector restructuring that have gained prominence include the downsizing and decentralisation of the public sector, provision of some social and physical infrastructure in collaboration with private sector privatisation, and the practice of contracting out (Larbi, 2003). In addition, globalisation is another economic international trend currently forcing governments to adjust their public sector. Larbi (2003:1) states that “the spread of global markets, especially those related to financial integration and liberalisation and the resultant competition are forcing the public sector in most countries to reshape itself to keep pace with the emerging global economy and modern information technology”.

Cyprus has an open and flexible economy and consequently experiences specific challenges as a result of its small size (Sepos, 2008). Despite buoyant economic

growth, until 2008, the global economic crisis has affected both the Cypriot economy and public finances. Public sector deficits, external trade imbalances and the growing indebtedness are all factors obliging the Cypriot government to reduce its public finances. Severe problems began affecting the Cypriot financial sector at the beginning of 2011. At that time, the Greek fiscal crisis and the Euro Zone debt crisis had worsened. The borrowing costs of Cyprus rose steadily due to its exposure to Greece's debt and, following this, two of the largest banks on the island were among the largest holders of Greek bonds within Europe. Moreover, these banks had a significant presence in Greece as a result of their bank branches and subsidiaries. The financial sector and economy were faced with a liquidity problem as several global investors were not sure about whether or not the Cypriot economy would be able to survive the EU crisis.

As a result, the Cypriot government turned to the Eurogroup and the IMF for financial assistance in June 2012. The Troika, made up of the European Commission, the European Central Bank and the International Monetary Fund agreed to support Cyprus but, in exchange for financial assistance, requested that the island begin an economic adjustment programme that would strive to restore the health of the financial sector. Cyprus would also be required to put into practice a process of structural reforms and to introduce management practices within the public sector that would enhance competitiveness, sustainability and balanced growth (Central Bank of Cyprus, 2012).

These are changing conventional ideas about public sector administration reforms within the economic context.

### **The influence of bureaucratic systems and corrupt practices on the applicability of NPM**

According to Mylonas (2004:3), the Cypriot civil service is “basically bureaucratic with a high degree of centralisation, and inflexible organisational structures and procedures”. Bureaucratic features of the Cypriot public administration are well known as part of its cultural legacy. Peters & Savoie (1998) noted that over the past

decade or two, reforms have focused on improving efficiency and effectiveness among the public bureaucracy, believing that this was the source of the problem. As such, the solutions aimed to increase the power of elected and appointed officials, over that of the permanent members of government.

As in many other post-colonial countries, Cyprus also inherited a well-established and complex bureaucratic system from its colonial rulers. The bureaucratic features of centralised decision-making processes, hierarchical structure, and the public administration payment system are based on the Weberian bureaucratic model. According to Larbi (2003:1) “public attitudes and increasing criticisms of the ineffectiveness and inefficiencies of delivering public services through bureaucratic organisational arrangements and the need to search for alternatives has been a major driver for restructuring the public sector. Old public administration was seen as too slow, driven by rules instead of performance, inefficient and unresponsive to users”. In addition, further criticism was addressed regarding the conception of bureaucracy where people were tired with the defects of large organisations to apply rules, particularly in the public sector and including the disadvantage of red tape (Du Gay, 2000). However, Cyprus faced major difficulties in overcoming public sector bureaucracy and the cultural features of political patronage and clientelism. Over-regulation and a rigid bureaucratic structure is a frequent, key hindrance in attempts to implement NPM reforms which are essential to make the public sector more effective, economical and flexible. Du Gay argues that “the new style of public management, where managers of public institutions and senior managers, are committed to the government, increases the risk of political corruption as the loyalty of the civil servants is towards the government, not the general public and the Civil Service”( Du Gay, 2000:338). Therefore, over-politicisation and corrupt practices of public administration in Cyprus, bureaucratic ineffectiveness, the lack of a solid institutional framework, proper rule of law and control structures and the lack of meritocracy among the public employees can provide more opportunities for corruption and fraud. Contracting out and outsourcing are management practices that can provide opportunities for corruption in the public sector of Cyprus and, according to Du Gay, the most serious threat to bureaucracy is privatisation (Du Gay, 2000).

Cyprus inherited a complex bureaucratic model from its colonial rulers more than a century ago. It was quite efficient and effective given the limited demands placed on it at the time. Cyprus' public sector was small, with limited departments and services. This changed over time given economic growth, technological advancement, globalization and changes to the role of the state. New demands were generated and old ones reduced or altered; all of which, demanded a leaner, more focused and efficient public sector. Moreover, the present regulatory framework has not been redesigned in order to cover the needs of today's public sector (Panayotou, 2013).

Due to this, the public sector of Cyprus is riddled with various loopholes, which public officers may manipulate. As a result, it is often the case that standard procedures within the bureaucratic model are overlooked and, many times, public officers may intervene in a tendering process by providing valuable inside information so as to ensure that a certain vendor (which could be a friend or a family member) will win a contract and, therefore, bypasses the standard bureaucratic procedures to do so. Negligence, inconsistency and indifference to adhere to standard procedures on the part of public sector employees, often lead to questionable practices that are not entirely aboveboard. Some other simple examples include cases where individuals will pay money to obtain a driver's license or obtain a tax reduction, 'pulling strings' in order to obtain work in the public or private sector or to benefit from favourable treatment in the army, as well as paying money to public doctors in cases where immediate medical attention or treatment is required, thus avoiding the existing waiting list (Phileleftheros, 2013).

As a result of such practices, a form of corruption permeates the public sector as civil servants bypass the standard procedures in favour of resorting to obtaining favours from acquaintances in order to avoid following bureaucratic practices. Such behaviour can lead to the promotion of dishonest or illegal behaviour and collusion. NPM versus bureaucratic efficiency is a change from administration and professional bureaucracy to a more managerial and market-based system in order the public sector to become more efficient, more effective and more economy. It is a shift from policy administration to policy management. NPM is more concerned with managing

services and resources than to provide policy advice to politicians. Bureaucracy focused upon procedures rather than outcomes. NPM increases elements of accountability in the policy process and a more confident and authoritative directive for public sector (Haynes, 2003). Another example in which corruption may occur is when a public task is outsourced to a private company on account of the fact that it can be accomplished faster and more economically than if undertaken by the government. In such a case, the public sector requests tenders from private companies bidding for the job. If a civil servant is in a position to know what amounts companies have bid then he/she might inform an acquaintance who works for another company, thus assisting them to submit a lower bid and secure the job. There are some of several cases in which standard procedures are often bypassed or ignored. However, if the legislation is adapted accordingly and is amended in a way so as to ensure that all public services have access to transparent information between them (for example, through a common database) then this may reduce the risk, as well as, the likelihood of corrupt acts. According to the study by “eleftheria/Political Portal” (2012:12), transparency is needed to combat the corruption in cases such as “favouritism in decisions of government officials”, “irregular payments and bribes”, and the “diversion of public funds”.

On the other hand, Europeanization processes have triggered changes in public administration reform in Cyprus in their capacity as promotional factors and motivating elements for the application of NPM.

### **EU influence as a donor agency for the applicability of NPM reforms**

International organisations play a significant role in a country when it is in the process of introduction and adoption of NPM philosophies. The clamour for radical change in public administration was raised after the accession of Cyprus to the EU in May 2004, where the latter functioned as a donor agency. This is part of the engagement with the government of Cyprus for the introduction of structural programmes and policies focused on meeting the criteria for admission to the EU and to meet the spirit of what is known as NPM. Pressures exerted by the EU for its conditions to be imposed and certain policies to be adopted by the Cypriot public

administration can be characterised as a 'coercive process'. The EU is a powerful link for Cyprus, directing Cyprus to modernize its public administrations, encouraging the convergence between the public administration system of the island and those of different countries, as well as the convergence between public organisational structures and their equivalents in the private sector. Thus, as a donor agency, the EU is an additional factor driving NPM reform practices in the Cypriot public administration with the adoption of more pro-market and pro-private sector aspects in structural adjustment programmes (Larbi, 2003).

### **The political context and public administration reforms**

According to Gautam (2008:12) "NPM brings radical changes in organisational structures, in hierarchy, in pay system, in work cultures, in the roles and responsibilities, in organisational relationships, in exercising power and authority, and ultimately in overall politico-administrative system". Political stability with strong political will and interest are important variables for building a vision and strategy for the applicability of NPM reforms in a given country. Political neutrality is an important factor for the implication of democratic politics in public administration. Walsh argues that "the more unified and centralised the system of political control and power, the easier it is to introduce new approaches to the management of public services" (Walsh, 1995).

Cyprus has a very stable political system, and is considered to be a young Republic as it gained its independence from the United Kingdom and became an independent nation in 1960. The country's system of governance is based on the presidential system (Ministry of Education and Culture, 2008). As a consequence, Cyprus has the power to implement NPM reforms. However, the Cypriot political system also features other factors that are considered to be constraining factors for the adoption and introduction of such reforms. Some examples that encourage corruption in the Cypriot political system are evident as politicians (deputies) vote a number of measures for their own benefit. Some cases include benefits such as exorbitant remuneration packages for themselves, they have exempted half of their pay from income tax and use the allowances they receive for secretarial services as part of the

income to calculate their state pensions. Furthermore, political parties do not approve a law that will oblige them to show a list of their donors and their subscriptions. In addition, many of the deputies are lawyers and use their positions in the parliament to provide jobs and promise favours to their clients – supporters (Cyprus Mail, 2013).

Consequently, political clientelism, party patronage and corruption are fundamental characteristics of the Cypriot political system and have limited the introduction of reforms (Faustmann, 2010). Sozen and Shaw (2002:483) argue that “in societies where public administration demonstrates high levels of clientism, patronage and corruption, attempts at the implementation of administrative or management reform would fail”. In Cyprus political neutrality of civil servants is rare, as in many cases it is commonplace for civil servants to facilitate the needs of citizens who support similar political viewpoints while hindering those who do not. Consequently, they satisfy their political parties and perpetuate political clientelism and patronage (Faustmann, 2010).

Furthermore, political leadership has a positive influence on reforms when the people see it positively. Sarker (2006:190) argues that “the commitment of political leadership is a driving force behind the implementation of administrative reform efforts”. There are many examples of successful implementation of NPM reforms from around the world, based on managerial practices driven by the political leadership of figures such as Margeret Thatcher (1979-1990) and John Major (1990-1997) in Britain, Ronald Reagan (1981-1989) and Bill Clinton (1993-2001) in the USA, in Singapore etc. (Gautam, 2008). Therefore, it can be argued that political stability and a strong, committed, leadership are central factors leading to fundamental changes in the public sector.

All variables are important for the present study as they affect public management reforms in the Cypriot public sector. Beyond their own direct effect on the implementation of change, interactive dynamics are also at work between them. Some of these dynamics include the degree of congruence between the priorities and goals of a given country and those of the donor organisation, in this case the EU (Common, 1998a). In turn, this is subject to its own pressures: a given national



government must weigh the suitability and projected effects of policy change against social, economic and cultural factors, and all of this against the conditions and policies imposed by donor organisations (Minogue et al, 1998).

The socio-economic and political factors (political patronage, clientelism, and bureaucratic procedures) and the influence of the EU are important factors, as is their impact upon the practices of NPM. Political patronage and clientelism are constraining factors regarding the convergence between public organisational structures and private organisational structures, as political interests and the influence wielded by politicians with regard to administrative reforms make the procedures more complicated and do not allow reform programmes to flourish. Similarly, bureaucratic features comprise a constraining mechanism by which any government carries out its administration. However, transparency, accountability and less corruption in public administrations should prove to be a positive influence on the adoption of independent variables.

#### **1.4 The aim of the research project**

To the author's knowledge, this is the first empirical study of public sector reform in Cyprus. The aim is to investigate and understand the influences, both internal and external to the Cypriot civil service, that have combined to put NPM-type measures on the agenda. As such, the research aims to understand the applicability and limitations of these policies in Cyprus, outside their origins in the larger countries of the Anglo-Saxon world. The research was conducted at a particularly significant and traumatic time for the Cypriot economy and this has made it possible to consider, in particular, the role of European and international financial support in instigating radical restructuring within national economies. Moreover, our aim is to identify some of the most striking things of how the participant's views contrast to or concur with each others' regarding NPM reforms, with a view to shedding light on the way how the process by which the changes would bring into been during a period of crisis. This research will have direct implications for practitioners as well as for academics, as it will seek to generate a new understanding of the reforms undertaken by the Cypriot public sector and of the attitude of civil servants toward the reforms.

The extent to which new organisational practices are or can become embedded in the public sector, requires an extensive study that will explore how reception of managerial ideas and frameworks has been conditioned within the public-oriented culture (Pollitt, 1986; Ring & Perry, 1985). Successively, we can explore the views, opinions, attitudes and beliefs of participants engaged in the study of how they embrace NPM ideas, and who influences policy developments in the public sector of Cyprus.

## **1.5 The purpose of the thesis**

Regarding the aim of the study, to investigate and understand the influences, both internal and external to the Cypriot civil service, that have combined to put NPM-type measures on the agenda, I have utilized the notion of isomorphism “isomorphic processes”, propelling public sector of Cyprus towards the concept of modernisation and ensuring that public organisation practices “converge” with those of the private sector, based on the views, beliefs and opinions of senior service officials, politicians and unionists in Cyprus. I have selected this approach as the reform practices differ from country to country and some reforms that work well in one country are not as effective in another. On the other hand, there is no one ideal model that can be applied to all countries in the same way. Moreover, there are inherited moderating factors such as political, socio-economic and cultural factors that vary from one country to another, as well as the presence of simultaneous international, global and European pressures for change in public administration.

Cyprus was chosen as the focus for this empirical study as it is the home country of the researcher and is more convenient for data collection. Moreover, it is an ideal time for such a study of the government of Cyprus, as the current economic crises are spurring the public administration to implement and introduce reforms related to NPM models.

## **1.6 The organisation of the thesis**

This study is organised into six chapters. Chapter Two presents the meaning of both the private and the public sector. The literature related to NPM practices is explored to understand its theoretical issues which inform the different dimensions of change common in the NPM model. It also explores the literature in terms of the application of NPM practices in various countries. The focus here addresses the factors that have driven the adoption of NPM reforms in developed countries to less developed ones. It then proceeds with the reasons behind these factors and the extent either internal or external factors influence the adoption of these reforms. Particular attention is paid on the implementation process of NPM reforms that have been adopted and how the applicability of these NPM elements has been succeeded.

Chapter Three discusses first the relationship between public administrations versus New Public Management and then focuses on the Cypriot public administration reforms that have been carried out in recent years, together with the influence of ‘New Public Management’ principles on these reforms. Then, background information is given on the characteristics and specific historical legacies of Cyprus that are known to have negatively influenced public administration reforms undertaken with the purpose of overcoming the bureaucratic features of the public sector. Cultural features, including political patronage and clientelism are also explored. Attention is also paid to external pressures and reforms, including the role of the European Union. Pollitt’s (1995) model of NPM is used to test the influence of NPM on Cyprus, since many factors, including cultural, economic, bureaucratic ones, political patronage and clientelism, can influence the applicability of NPM in Cyprus. This is followed by a discussion of key public administration reform measures recently promoted in the Cypriot Public Service. These measures occurred within the context of bureaucracy that, even now, embodies elements that have persisted from the very beginning: patronage and corruption. Finally, the concept of ‘convergence’ towards NPM will be explored within the context of the Cypriot Public sector and the analysis of NPM in Cyprus.

Chapter Four is devoted to the discussion of the research design and methodology used in this study. It discusses the overall research approach used, data collection methods, data analysis procedures, and the sample / participant procedures adopted. The study is based on qualitative methods and information is collected from secondary and primary data. Secondary information collected from reform reports, policy documents, books and articles. Primary information is collected from discussions and semi-structured interviews with purposely selected senior managers and policy makers at the Ministry of Finance, the VAT department, the Public Administration and Personnel Department (PAPD), the Cyprus Academy of Public Administration (CAPA), politicians and unionists, PA.SY.D.Y. (Civil Servants Union). In addition, the information from my personal experience is also used since I have worked as a tax auditor in the VAT office for over a decade.

This research is a qualitative study as it relates to humans and provides the researcher with deep knowledge for understanding behaviour, as it starts from a specific phenomenon and concludes with more general knowledge with complex and ‘rich’ results. Semi-structured interviews with open-ended questions will be used as a technique for data collection. The sample will concentrate on government bodies that engage in practices of modernising the infrastructure of the public sector by introducing NPM practices. Thematic Analysis (TA) will be used to explore participants’ experiences and views, how they embrace the ideas of NPM, and the impact of this upon NPM practices. Moreover, I will explore their views on the introduction and adoption of private sector management practices in the Cypriot public sector, and the influence of various contextual factors on the applicability of NPM to the Cypriot public sector.

Chapter Five explores analysis and discusses the results and findings of the research. The discussion will demonstrate the way in which the NPM elements have been developed throughout the research process.

Chapter Six focuses on the discussion of the findings. The findings are compared with existing theoretical knowledge in the literature and the discussion either supports or refutes the arguments based on the findings of this research. Finally, it

explores the significance of such research findings in a Cypriot context and provides practical recommendations for future reforms in Cyprus. Finally, the chapter presents the conclusions from this research, its implications for the academic literature, the limitations and the areas for future research in the field of this study.

## **1.7 Conclusions**

The present chapter details the research background, and the general and specific aims of this study, its significance and scope, its contribution to knowledge, and the general outline of this thesis. Moreover, emphasis is given to the theoretical framework of the study. The introduction and adoption of private sector management practices and NPM models in Cypriot public administration is the main area of interest. The modernisation of the public sector in Cyprus is based on the notion of convergence in public management. This modernisation involves a convergence between the various administration systems of different nations but also a convergence between public and private organisational structures (Dollery and Lee, 2004). According to DiMaggio and Powell (1991) all organisations are prone to “isomorphic processes” which is comprised of “coercive isomorphism”, “mimetic isomorphism” and “normative isomorphism”. As established in this essay, the result of various pressures has been identified external coercive ones, or internal ones arising from the normative status of the NPM model. EU is an external influence on Cyprus and EUPAN is an important network where Cyprus can share and adapt experiences and characteristics from the other associate members. The notion of isomorphism, ‘normative’ associated with professionalization and has been identified as a driving force towards institutionalization. CAPA is the organisation of the government emerges as a state-driven actor and exercises its power through management training of civil servants. The combination of these three ideas of isomorphism will be useful and sustainable in the modernisation of the public sector in Cyprus. However, the influence of the island’s historical legacies, government, socio-economic context, political patronage and clientelism, as well as globalisation, will negatively or positively influence modernisation and management reforms in the public sector. Within this context, the present study is focused on the NPM elements in the Cypriot public administration, taking into account the political, bureaucratic

factors and the influence of the EU in its capacity as a donor agency. The following chapter presents the literature review for this study.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Chapter Two presents a review of the body of literature that informs the study and, in turn, on which the study seeks to build. The literature reviewed in this chapter is presented and discussed as follows:

The chapter begins by defining the meanings of private and public sectors, as the relationship between the two is of concern to this study. The literature related to NPM practices is explored to understand its theoretical issues which inform the different dimensions of change common in the NPM model.

The second part of the present chapter offers an overview of the literature on the NPM model within a broader international context. More specifically, the chapter discusses the global transfer of NPM to understand the adoption process of this reform model. In particular, it explores the literature in terms of the application of NPM practices various countries. The focus here addresses the factors that have driven the adoption of NPM reforms in developed countries to less developed ones. It then proceeds with the reasons behind these factors and the extent either internal or external factors influence the adoption of these reforms. Particular attention is paid on the implementation process of NPM reforms that have been adopted and how the applicability of these NPM elements has been succeeded. Finally, a conclusion is offered that summarises the key themes of the chapter.

#### **2.2 Definitions**

The first part of this section defines the meanings of public and private sectors and NPM. Primarily, the literature related to NPM is explored to understand the theoretical issues of what NPM is and what is involved to inform the various ways of

change related to the NPM model. Although this thesis is concerned with understanding the introduction and implementation of NPM reforms in the public sector of Cyprus, it is very important to review what is claimed in the literature on both developed and developing countries.

### **2.2.1 The public sector**

The current round of reorganisation and ‘reform’ of the civil service in Cyprus can be seen, on the one hand, as relatively straightforward response to economic ‘reality’. On the other hand, it also represents the conflict between opposing views regarding the role of the public sector and of the state as a whole. The public sector’s objective is the design and delivery of public services for the maximisation of service value for citizens. Kee & Black (1985) argue that the public sector faces a complexity and multiplicity of values and that shared ‘values’ are what distinguish the public sector from the private sector. Yescombe (2007) states that public infrastructure is the means through which the economy and society manage its operations. As a non-profit organisation, the public sector is accountable for using taxpayers’ money and for ensuring a good return of value. Furthermore, citizens expect better quality services and value for money, however, they are unwilling to pay higher taxes (Caiden, 1988; OECD, 1995). Additionally, Caiden (1988) states emphatically that citizens’ expectations and public pressures are significant for successful implementation of new management reforms in the public administration of developed countries.

It is also argued that the public sector is highly regulated by the intrinsic political interests of the current governing political party (Lachman, 1985; Prabhu, et al., 2002; Radnor & McGuire, 2004). Lachman, (1985:676) argues that publicly-owned organisations are more strongly influenced by government than private ones are, because “of their dependence on social legitimation, the political nature of the processes of resource appropriation, and the political and public scrutiny to which they are subject”. Brown et al. (2003:231) state that such political interests have been seen as constituting “one of the most significant contextual schisms” within the public sector. This is because internal organisational processes can be designed and



regulated according to the governing political party and its ideology. In this context, whereas the behaviour of the private sector is highly controlled by existing market forces of competition and consumers' preference toward competitors, public management is more dependent on the locus of control behind its bureaucratic agencies (Pollitt, 1986; Cole, 1988; Lane, 1998).

Consequently, it is argued that changes in the public sector are often dependent on politicians' decision-making processes as they are concerned about their parties' elective power (Rainey et al., 1976; Arroba and Wedgwood-Openheim, 1994; Bellou, 2007). Politicians exercised influence on the public officers, offered them safe career guarantees in the public sector and favours in exchange for electoral support. Public officers have a secure career path, but hardly any power, status or influence. They are not involved in policy-making but merely carry out routine administrative work (Kickert, 2011). Therefore, politicians may frequently introduce initiatives without realising the consequence of their decisions on public officers.

Lane (1998) argues how the Weberian approach to organization has dominated the public sector in that the importance of control and clear lines of authority enable workers to maximise efficiency and commitment over time. This model led to a highly bureaucratic organisational structure that has often been accused of stagnation and rigidity, lacking pace, and failing to provide value to citizens (Steward and Walsh, 1992; Maor, 1999). The bureaucratic model is based on rules and regulations derived from public law, and the role of the bureaucrat is strictly subordinate to the political superior (Fairbrother et al., 2011). Vernon (1981) also argues that public bodies seem to be invulnerable to fears of bankruptcy which quite possibly results in its employees being disinclined to take responsibility for their decisions. From the latter half of the 19th century, civil service reforms aimed to control political patronage (and specifically the 'spoils' system in the USA) by creating a stable and permanent state workforce forming a public administration based on merit instead of clientelism (Fairbrother et al., 2011).

Political debate about the public sector have been prompted by cost considerations, but have also focused on far more deep-seated debates about the nature and role of

publicly-accountable bureaucracy. This debate intensified from the mid-1970s, when economic crisis caused governments to question Keynesian economic management. Keynes's economic theory appeared unable to handle stagflation, the combination of long-term unemployment and inflation. The instability triggered by rising oil prices and subsequent currency instability caused governments to look to older solutions from supply-side economics. *Laissez-faire* liberalism and free trade, combined with a focus on the money supply and a presumption in favour of the private sector, informed by public choice theory, has since become economic orthodoxy (Harvey, 2005; Runciman, 2013).

This set of policy prescriptions, and the free-market ideology that informs them, that have become dominant since this period, have become known as neo-liberalism. Although the precise definition of neo-liberalism is contested (Wolf, 2004), one underlying assumption is that the private sector is simply more efficient than the public (Vries, 2010; Chomsky, 1999). This assumption has guided central government policy to public sector reform, but it can also be argued that public organisations independently took on 'private sector values' and began to adopt private sector methods (Vries, 2010).

Dissimilar to the early liberalism of the 19th century, neo-liberalism placed the market as the governing factor in economic activity, and its underlying philosophy progressively injected itself globally into state structures and public institutions.

This economic philosophy maintained that unemployment and inflation were necessary to stabilize capitalist welfare economies. Therefore, the trends towards finance and trade liberalization, public services' deregulation, privatization and marketization, and minimal state intervention challenge the functions of former capitalist welfare states (Vries, 2010). Thus, states have had to reformulate how they provide welfare to their citizens.

Neo-liberalism is often associated with a political agenda of encouraging the "globalization of capital". The drive towards international competitiveness and better economic efficiency has caused states to decrease welfare activities while encouraging markets to function more freely. The biggest difference however, is

probably the way neo-liberalism blurs the lines between private and public institutions.

Economic neo-liberalism has found itself in serious trouble as a result of the worldwide financial crisis from 2008. After 30 years without serious challenge, neo-liberalism today is at a loss to account for changes in the real world (Vries, 2010). This important shift redefined economic regulations and the balance between state, capital and labour.

The critics of NPM firmly believe the theory to be incoherent, inconsistent and contradictory. Christensen & Lægreid (1999) say that it is an eclectic collection of ideas, many of which can be contradictory to one another. Critics maintain that this mash of ideas cannot be readily applied to every market, that one must pick and choose the concepts that best fit their specific market scenario and in doing so one can never be sure conflicting concepts won't be selected.

NPM is deeply influenced by ideas from new institutional economics, especially the emphasis on the purchaser-provider split, service specifications and contracts (Hardy & Wistow 1998 in Vabø 2007). Governments should focus less on providing direct services and more on making sure that things get done; an idea which Osborne and Gaebler (1992) have described as, 'steering not rowing'. However, these two concepts are not free of tension. While 'new institutional economics' maintains that human behaviour is self-interest driven, the various management precepts applied in business are typically founded on the idea that managers are able to influence and govern human behaviour (Vabø, 2007). These ideas may differ on a practical level as well.

Business-style management and marketization coexist at the heart of NPM, highlighted by the purchaser-provider split (Hardy & Wistow 1998; Osborne & McLaughlin 2002; Busch & Vanebo 2001 in Vabø 2007) which allows the public sector to maintain control on service provision while reaping the benefits of allowing private agencies to produce supporting goods or services. The purchaser-provider split hopes to separate supply from demand and thusly focuses more on out-puts, thereby implicitly critiquing the rule-bound bureaucracy of Weber. By lessening the

emphasis on ex ante and process controls on public sector managers, the emphasis on ex post evaluation of results would increase, creating more discretionary room for managers to hike up the value of public services. Thusly, the purchaser-provider model can be seen as adding to managers' freedom. Using this model the purchaser can specify the degree and quality of services provided and additionally control whether or not the provider has fulfilled the contract.

According to Almquist (2004), the form contractual relationships will take is an important decision public entities must make when applying an NPM programme (Vabø, 2009). The purchaser-provider split is a prerequisite before introducing market reform to state services. If public agencies are to be expected to compete equally with the private sector, then they must be separated from the government and morphed into autonomous budget units. As researches have explored the way different states put NPM to use, they have documented the challenges in seeing it as a cohesive programme driving change alone. In order to comprehend the complicated change, it has been put forward that NPM reforms need to be viewed as cooperating and combining with contesting drivers of change (Wise, 2002; Vabø, 2009). Therefore, institutional changes will be fuelled by tensions and there very well may be both intended and unintended consequences (Clarke and Newman, 1997; Newman 2001 in Vabø 2009).

### **2.2.2 The private sector**

The different economic environment in which private organisations regulate their practices is believed to have been responsible for their achieving better levels of managerial efficiency (Dobbs, 1982; Goodwin, 2004). The design and structure of their operations are mainly governed by the need to maximise profit. Here, corporations are required to be more responsive and adaptive to changes in the environment and to continue maintaining consumer satisfaction. Forms of accountability and performance are more closely scrutinised as corporations are exposed to stakeholders (Bellou, 2007).

Furthermore, the private sector is far more exposed to risk (Mouly & Sankaran, 2007), since consumers have the power over what products and services to purchase in the retail market. Evidence of the presence of managerial competencies is critical for ensuring the fulfilment of assigned objectives (Ring & Perry, 1985). In contrast to public officers, private sector employees are more directly accountable to their superiors for their actions as there is a lesser degree of career permanence (Bellou, 2007).

Furthermore, instead of relying on highly bureaucratic structures, corporations are seeking to develop flatter modes of organisation (Lane 1998; Prabhu et al. 2002). This allows them to be better at delegating authority, disseminating knowledge, and maintaining communication channels within the decision-making process. The dissemination of information and learning between different parts of the organisation is critical for its overall ability to optimise performance (McAdam & Reid, 2000). Also, there is a greater degree of teamwork and collaborative participation between members, allowing for creativity and entrepreneurship to flourish (Cloe & Parston, 2006). A company's survival is dependent on existing and ever-changing competing market forces. Hence, finding ways to optimise performance is a prerequisite for success and survival (Pettigrew & Whipp, 1991). Such market forces remain non-existent in the public sector and the absence of competition prevents the perception of a need for performance optimisation (McAdam & Reid, 2000). In particular, governments contract with private organisations to offer their public services to encourage results-based competition to promote cost-savings, efficiency and flexibility in their delivery of services. Frequently contracting out can yield benefits, as efficiency increase and operations run efficiently without political pressures.

However, contracting out may be more prone to corruption and mismanagement (Larbi, 1999), as policy makers and senior officials might encourage privatization because of increased opportunities to engage in clientelism and rent-seeking. While the introduction of private sector management practices seems to be beneficial in some cases, like in cost savings, there are some constraints to the implementation of such practices and private sector involvement. Consequently, private sector practices are more suitable in certain contexts than others. Privatization is not a panacea for all

problems in the public sector, for in some countries with high levels of corruption and patronage implementing private sector-based management reforms will either reduce corruption levels or increase them.

### **2.2.3 Defining NPM**

In the early 1980s, Garson and Overman (1983:275) defined NPM as an interdisciplinary study of the generic aspects of administration and a blend of the planning, organizing, and controlling functions of management with the management of human, financial, physical, information and political resources. NPM is defined “as the creation of a large role for private sector forms and techniques in the process of restructuring the public sector” (Pollitt & Bouckaert, 2004:98). NPM is a generic term conceptualised with many definitions in the literature by different scholars (Barzelay, 2001). Manning (2001:298) concluded that “NPM is a slippery term”.

Despite the difficulty to find a common meaning of NPM, there is agreement among scholars on the theoretical and ideological origins of NPM. The rise of NPM is “one of the most striking international trends in public administration” (Hood 1991:3). NPM stands on the twin doctrines of removing differences between the public and private sectors and shifting “methods of doing business in public organizations” away from complying with procedural rules towards “getting results” (Hood, 1994:129). NPM asserts the superiority of private sector management techniques over the public sector and public administration, reorganizing public sector bodies in order to bring their management style closer to that of the private sector. It attempts to “restrain and minimise differences between the public and the private sectors and address an element of accountability related with results” (Hood 1995:94 in Demirag and Khadaroo 2008:455). The emergence of NPM comprised a major shift whereby traditional public administration had been replaced by a public management system, making governments more effective and efficient, whilst concentrating on more market-oriented government practices, as practices from the private sector management style were adopted by public sector organisations (Hughes, 1998). In that way, the implementation of NPM would counterbalance and remedy the overregulation and overbearing bureaucracy that had become a hindrance to the

public sector. The introduction of commercial principles was seen as a key factor that would alter managerial approaches and thus enhance the effectiveness of government bodies (Hughes, 1998). Thus, the restructuring of the public sector and the minimisation of the administrative arrangements of the government is very important, specifically in terms of a de-bureaucratisation process (Pollitt and Bouckaert 2004:187-89; Pollitt et al. 2007:17).

Many authors have posited different arguments with a variable number of elements for the new model of NPM. For example, Osborne and Gaebler (1992) argue for a “cultural shift” to replace the bureaucratic government with an entrepreneurial one. Osborne and Gaebler (1992) are setting out a political agenda and they are saying what governments should do. Furthermore, in their work *Reinventing Government*, Osborne and Gaebler (1992) have described strong principles for NPM, such as methods for making governments more entrepreneurial and ways for the public sector to copy desirable and more efficient practices and mechanisms from the private sector. Principles for reinventing government include the following: “Steering rather than rowing; empowering rather than serving; injecting competition into service delivery; transforming rule-driven organisations; funding outcomes, not inputs; meeting the needs of the customers, not the bureaucracy; earning rather than spending and from hierarchy to participation and team work” (Osborne and Gaebler 1992). In addition, if we come forward to look at some writers in the '90s Hood and Pollitt are attending to take a more analytic view of the expression of NPM. Therefore, they are saying what is happening rather than this is what should happen.

In the same way Pollitt argues that NPM is an example of “managerialism” which he sees more as an ideology than as a theory. Thus, he bases his ideas in the following set of NPM elements: “Cost cutting, capping budgets and seeking greater transparency in resource allocation; disaggregating traditional bureaucratic organisations into separate agencies; decentralisation of the management authority within public agencies-flatter hierarchies; separating the function of providing public services from that of purchasing team; introducing market and quasi-market type mechanism; performance management; shifting the basis of public employment from

permanency and standard national pay and conditions towards team contracts; increasing the service quality to people”(Pollitt, 1995:57).

Hood summarises the following directions for the classic formation of NPM: “emphasis on hands-on professional management skills for active, visible, discretionary control of organisations (freedom to manage); explicit standards and measures of performance through clarification of goals, targets, and indicators of success; shift from the use of input controls and bureaucratic procedures to rules relying on output controls measured by quantitative performance indicators; a shift from unified management systems to desegregation or decentralisation of units in the public sector; an introduction of greater competition in the public sector to achieve higher standards through term contracts; private sector style management practices, such as the use of short-term labour contracts; cost-cutting, efficiency and ‘doing more with less’” (Hood, 1991:4-5).

Hood’s seventh directions can be further described as follows:

The first direction emphasises “hands- on management” and the “freedom to manage” (Hood, 1991:4), as public managers should have autonomy to control public organisations with and should be accountable for how well their departments operate. Public service managers move away from being bureaucrats to becoming visible managers at the top of public sector (Hood, 1995b). The second principle refers to the explicit measures of performance with the use of clear statements of goals, targets and indicators of performance management. The purpose of this principle is in reporting the outputs of government organisations and in using these data to reward or penalise. Cost-cutting is the third element of NPM, as its main objective is to make governments cost-effective and able to be more productive with fewer resources. “The emphasis on ‘doing more with less’ represents a response by governments to the problem of ever-increasing demands by citizens for quality public services in the context of declining revenues” (Hood, 1991). Fourth, greater competition in the public sector is enhanced, both amongst public sector organizations and between public sector and private sector. NPM aims “to introduce a more competitive style into the public sector and to establish ‘internal markets’, as



well as to loosen the inefficient monopoly franchise through the use of multiple competing providers and term contracts which set out the performance required of service providers” (Walsh, 1995:26-27). Fifth, emphasis is placed on private sector-style management practices like contracting out. Walsh (1995) considers that the practice of contracting out means the outsourcing of, or purchasing, goods and services other than those provided to citizens by the public sector. It is a popular method of privatisation and emphasises efficiency and delivery of services. Contractual agreements may be between two public organisations or between a public organisation and a private one. It is the responsibility of a given public sector organisation to identify what goods or services are needed and to ask the private sector to provide them. Consequently, contracting out contributes financially to the government since it economises on the expenditure that would otherwise be an inevitable result of inefficient public bureaucracies that tend to work in favour of producers rather than the consumers. Furthermore, private contractors can be penalised if they provide poor quality goods or services, delay completing a project or are unreliable. Therefore, public sector organisations’ contracting out, or outsourcing, contractual services and adopting businesslike principles is viewed as paramount for the management of government under this model (Osborne & Gaebler, 1992). Decentralisation is the sixth element, and it is described as the separation of functions between the provider of public services and the purchaser into “quasi-market”. The idea of decentralisation is to construct manageable divisions and to transfer the central authority or responsibility of management, planning and decision-making from central authorities to smaller units to make them more flexible, more responsive, and quicker at decision-making and delivering services to citizens in response to their demands and preferences, which may vary from region to region in any given country (Yamamoto, 2003). Lastly, emphasis is placed on downsizing public sector organizations. This means reducing the number of public sector employees to save costs.

The variations and alternative perspectives discussed here demonstrate that there is no monolithic perspective of what NPM is. Nonetheless, there are many common points of reference, since all of these models advocate that governments should

implement those practices that can increase their effectiveness and aid them to successfully meet their responsibility towards their citizens.

NPM has attracted a lot of criticism at both the theoretical and practical levels. At the theoretical level, Aucoin (1990) suggests that these two sets of ideas of the “new institutional economies” and “managerialism” give rise to tensions and outright contradictions as, on one hand, in the managerialism set of ideas, public sector bureaucrats are essentially perceived as administrators, while, on the other hand, public choice rejects it. Accordingly Christensen & Lægreid (1999:169) “regard NPM as a rather incoherent reform wave, consisting of a combination of ideological and instrumental elements that are partly inconsistent and contradictory”. In this way, NPM ideas are portrayed as being in a kind of “shopping basket” of different elements for reformers of public administration (Pollitt, 1995). Consequently, the disadvantage is that some of the contradictory elements may be in conflict with one another, with the potential to create ambiguities, conflicts and problems in the implementation of NPM reforms (Christensen & Lægreid, 2011; Pollitt, 1995).

Moreover, although the rise of NPM has been an inevitable historical shift, from one paradigm to another (Osborne & Gaebler, 1992; Hughes, 1998), critics maintain that there is nothing “new” about the NPM concept. In a similar vein, Hood (1991) questions the innovation of NPM, ultimately dismissing its core principles as “old wine in new bottles”. However, there are elements of NPM in the literature that have been given consistency and importance. The different approaches of management practices are in the same line with NPM. However these elements are not new to the field of public administration, many countries across the world embraced NPM reforms in their effort to modernise their public administrations. In particular, NPM elements are adopted in this study as various factors have driven the adoption of NPM reforms in an effort to modernise the Cypriot public administration.

Generally, NPM can be viewed as a loose term comprising varying elements or it is a bundle of different things; however, the literature shows that there have been some elements that are significant and reliable. Particularly, the directions for the classic formation of NPM have been highlighted by Hood and are adopted in this thesis.

Since the 1980s, many governments worldwide, in their effort to modernise their public sectors, embraced NPM practices from the private sector over bureaucratic practices, which have been used by public sector managers over many decades.

## **2.3 History of NPM**

This section explores the literature of the history of NPM reforms within a broader international context.

In recent years, the traditional model of public administration began to prove insufficient in the face of international economic changes, on the one hand, demands for government services and regulation of national political systems, on the other, which results in NPM coming to be viewed as a modern management approach for the public sector (Aucoin, 1990). The emergence of NPM comprised a major shift whereby traditional public administration was transformed into a public management system, making governments more effective and efficient, whilst concentrating on more market-oriented government practices, as practices from the private sector management style were adopted by public sector organisations (Hughes, 1998). The present thesis focuses on and studies the adoption of private sector style management practices and NPM reforms in the Cypriot public administration. In late 1970s and early 1980s the emergence of NPM had initially begun in developed countries and later in some developing countries (Ladri, 1999). Management theories have provided a model of management that is designed to overcome the insufficiencies of the traditional bureaucratic model of public administration which emphasises market competition in service delivery and increases emphasis on performance, efficiency and outcomes (Osborne and Gaebler, 1992). The NPM movement gained prominence in the 1980s with the then US President, Ronald Regan, and former British Prime Minister, Margaret Thatcher, while Australia and New Zealand followed soon after. Other stakeholders, such as those discussed by Osborne and Gaebler in their work *Reinventing Government* (1992), played an increasingly visible role in the reform process through the adoption of an “entrepreneurial government” model. Different variations and alternative perspectives discussed against bureaucracy, such as “market-based public administration”, “post-bureaucratic”

model (Barzelay, 1992) and “managerialism” (Pollitt, 1990), demonstrate that there is no monolithic perspective on what NPM is. Nonetheless, there are many common points of reference, since all of these models advocate that governments should implement those practices, including the adoption of new approaches that can increase their effectiveness and aid them to successfully meet their responsibility towards their citizens. All these changes are NPM aspects.

NPM embodied several intellectual foundations (Hughes, 1998). NPM principles stem from an intertwining of “two different streams of ideas” (Hood, 1991:5). One idea of Hood’s is to identify “managerialism” as the first foundation in the emergence of NPM. It involves managerial practices which, in the precepts for public sector reform, are derived from the private sector or business administration and emphasise government management. These management ideas focus on management devolution or decentralisation of the public sector and “making managers manage” (Hood, 1991). Those key components of NPM, originating in managerialism, maintain that private sector management practices are applicable to the public sector (Dixon, 1996). Moreover, the shift from bureaucratic systems to business administration drives them to make changes in areas that include structure, beliefs, attitudes, values, skills and culture of public service managers. In addition, these changes support innovation, transparency, creativity, quality service and teamwork in the public sector (Dixon et al., 1998). By following such a model, the public sector uses private sector practices, principles and functions similarly to a business.

Managerialism focuses on procedures of management and implementation in public administration instead of design and development procedures. Moreover, managerialism aims to manage public resources efficiently, effectively and to higher quality standards with the use of private-sector management practices in the public sector. Larbi (2003:1) states that “old public administration was seen as too slow, driven by rules instead of performance, inefficient and unresponsive to users”. In addition, Prasser argues that “managerialism fosters the proposition that good government and good organisation results from deliberate intentions, detailed plans and consistent decisions” (Prasser 1990:194 in Dixon et al., 1998:167).

The underlying principle of managerialism is based on the premise that there are generic practices that can be implemented in the private sector and which can be applied to the public sector with equal success, within reason and taking into account the socio-cultural context. Nonetheless, this premise also has its shortcomings; one of these is that political regulation and influence would necessarily act as a hindrance (Dixon et al., 1998). An OECD survey reveals that management techniques and practices related to private sector management practices are used by the public sector to reform and change their public management, particularly in those countries that have widely varying governance, economic and institutional environments (OECD 1993a in Larbi 1999). Therefore, the idea of managerialism relies on the assumption that by adopting better management practices from the private sector and by bringing people, plans and technology together the public sector may improve its performance and achieve desired results. The UK, Australia and New Zealand have used the principle of managerialism as a mechanism to reform their public sectors through performance management, contracting-out, and other businesslike approaches to improve the quality of services they offer to their citizens (Dixon 1996; Dixon et al., 1998).

On the other hand, it is the “new institutional economics”, also known by various other names, such as public choice theory; social choice theory; rational choice theory; or the economics of politics and public choice theory. It can be summarised by the notion that individuals act according to their own preferences and try to pursue their own aims according to a given situation (Aucoin, 1990). Moreover, public choice theory focuses “on the need to re-establish the primacy of representative government over bureaucracy” (Aucoin, 1990:115).

This particular school of thought originates in socio-political theories that emerged after World War II and is based on ideas discussed by Black (1958), Arrow (1963), as well as Niskanen (1971) and derivative works thereof. The component ideas here include the notions of public choice, transactions cost theory and principal-agent theory. What came to be known as new institutional economics formed the basis for a series of reform schemata that incorporated concepts such as contestable markets, public choice, transparency and accountability, as well as incentives as opposed to

punitive measures. These ideas stood in stark contrast to traditional methods featuring rigid bureaucratic hierarchies with little flexibility or room for adaptation (Ostrom 1974 in Hood 1991).

The public choice model is important because it seeks to impart a new orientation to public administration as it sets against the government's monopoly on the supply of public services. Public sector bureaus will be exposed to competition and they will continue to improve their standards of service (Singh, 2012). Similarly, Niskanen also advocates that the public sector should be more competitive, arguing that "the type of goods and services now provided by bureaus could be financed through government... but the provision of these services would be contracted to private, profit-seeking economic institutions. The bureaucracy, as such, would disappear, except for the review and contracting agencies" (Niskanen 1968:305 in Promberger & Rauskala 2003:9). This also promotes decentralisation, as individual users have a choice between competing service providers, and power becomes decentralised. It is also important to note that public choice theory argues that it would be better for society if governments limit the activities that are under their regulatory power (Ayee, 2005). Furthermore, the public sector's growing frequency of contracting services out to the private sector and outsourcing to private enterprises has spurred a widespread adoption of private sector management practices (Singh, 2012).

In spite of the relevance of public choice theory, there have been many criticisms of this approach. The public choice model is less able to explain how policy changes or how it can lead to good results with beneficial outcomes. Therefore, there is little room for public sector officers who advocate particular ideologies or whose profession provides them with independent judgments and analyses of policy issues (Ayee, 2005). Alternatively, although policy makers are focusing on the power of vested interests, their motivations of self-interest and rent-seeking are not born of ideology, but of the drive to maximize their political power and public popularity. Furthermore, public choice theory is unable to explain how reform occurs or when it has occurred and why it occurs, except through technocrats, whose behaviour is politically irrational. Although public choice theory points out the importance of the power-seeking motivations of decision-makers, it does not tell us anything about

how their motivations develop or change over time (Grindle & Thomas 1991; Lane 1993; Turner & Hulme 1997 in Ayee 2005).

In Cyprus, political control of administration, political patronage, clientelism, nepotism, and relations between politicians and bureaucrats are the basic characteristics of the island's public administration. As Chrysafis (2011:1) states "eight out of 10 citizens say political parties are corrupt or extremely corrupt, while the civil service and parliament are considered the next most corrupt institutions". According to a study conducted by Transparency Cyprus in 2011, corruption is widespread in Cypriot politics, society, and its public and private sectors (Transparency Cyprus, 2011). Furthermore views on corruption trends are most negative in Europe and North America, "where 73 per cent and 67 per cent of people respectively think corruption has increased over the last three years" (Transparency International, 2010). Further evidence has been stated by the study "eleftheria/Political Portal" (2012:12), where transparency is needed to combat corruption in cases involving "favouritism in decisions of government officials", "irregular payments and bribes", and the "diversion of public funds". These results indicate that corruption is hindering the implementation of NPM. The prevalence of patronage systems, corruption and other institutional weaknesses are the most potent threats to modernisation, economic development and management reform in the public sector. Weak and inefficient institutional and constitutional regulations undermine professional public service recruitment reforms, promotion and training, and the enhancement of accountability. Excessive government invasion in private exchange has created the opportunities for bureaucratic behaviour and rent-seeking. Every newly-elected government in Cyprus promises its voters that it will eradicate corruption and introduce meritocracy. The political system in Cyprus creates an incentive for politicians and political parties to focus on re-election, with the result that the relationship between politicians and individuals tends to be one of patron and client, as politicians offer protection to their party members and supporters by helping government employees advance their careers, offering public sector jobs to people, providing insider information to the land speculators and allowing businessmen to secure state contracts in exchange for votes (*Cyprus Mail*, 2013). According to a study conducted by Transparency International Cyprus (2013),

corruption is considered to be mostly widespread among politicians (96%) and public servants (94%). Furthermore, (99%) of Cypriots believe that the political parties are corrupted (Transparency International Cyprus, 2013). Moreover, it was noted that matters do not progress without political party influence or interference, and bureaucrats are mainly motivated by salary, getting recruited into the public service and other government-related positions, public advancement, power and patronage. Therefore, government officials in Cyprus might, for example, seek better and higher positions in the public sector hierarchy.

The main conclusions of public choice theory include the perspective that, in general, government should be hands-off wherever possible and should play the role of a facilitator rather than a regulator. Market dynamics and growth should not be sacrificed to bureaucratic overregulation. In addition, “uncoupling the steering function of government from its operational role” was seen to be a valuable alteration to government structure, based on the premise that the more closely intertwined the roles are, the more bureaucracy and, thus, obstacles would emerge. Rather, politicians should be able to focus on elements such as strategy, planning and assessment of possible policies without the need for expending time and effort due to overregulation (Aucoin, 1990).

These needs have become particularly pressing during the last ten years, since, alongside pressures exercised by public choice advocates with regard to government expenditure and organisation, Western governments have been called upon to cut spending and to reform their overall approach. Public choice theory played a key role in the reforms instigated at this time (Aucoin, 1990; Boston et al., 1996; Hughes, 1998).

## **2.4 Adoption of NPM**

This section explores the literature in terms of the application of NPM practices in both developed and developing countries. The first part addresses the factors that have driven the adoption of NPM reforms in developed countries to less developed



ones. It then proceeds with the reasons behind these factors and the extent either internal or external factors influence the adoption of these reforms.

The term NPM came into use at the beginning of the 1990s in the UK and the US and followed by New Zealand and Australia. According to the OECD (1995) NPM represents a global change of paradigm. This convergence thesis is, however, challenged (Pollitt, 2001a). One can argue that the diffusion of some NPM reforms worldwide will spread quite easily, while the more specific reforms will show a pattern of divergence. Some doubt the convergence claim, rather advancing divergence as the most possible outcome of the global diffusion process.

Yet, the process of reform has not been the same everywhere. NPM is a “shopping-basket” of different reforms, not all pointing the same direction (Christensen and Laegreid, 2011), and in some countries the transmission of NPM ideas from outside their borders might be a strong element, whereas in others, the reform process might be more a result of national or local initiatives. Thus, the diffusion of NPM is a complex process, following different stages in different countries and each country following its own reform trajectory within a broader framework. Thus, different countries and governments face different contexts and start out with different values and norms.

Policy transfer is the conscious application of policies, administrative structuring and regulations from a separate authority to another. As Ward (2006:70) puts it: “ ‘The making-up’ of policy is...a profoundly geographical process in and through which different places are constructed”. Geographers place a distinct focus on policy transfer in that analysis is not so much centred around how policies are “transferred” but rather around how they mutate as they travel (Peck, 2011a). Peck (2011a) has recently described the components of policy transfer as a “rolling conversation” of policy mobilities and mutations rather than a clear-cut model. The question of the nature of circulation of best practices and policy paradigms, both ‘horizontally’ (between national and local political units) and ‘vertically’ (between hierarchically scaled organisations) has been a focus of study by geographers and urbanists alike (Peck, 2011a). Of great importance is the vital role played by international agencies

that are adeptly forming new *arenas* for policy development, constructing outlines for trial and error and offering support for preferred pathways (Peck, 2011b). Moreover, Peck (2011a) states that ‘fast-policies’ concerns the adoption and implementation of policies which might or might not have been successful in another place, and includes practices and ideas that have become mobilities in an entirely new way. In Peck’s words, “today’s ‘fast-policy’ regimes are characterized by the pragmatic borrowing of ‘policies that work’, by compressed reform horizons, by iterative constructions of best practice, by enlarged roles for intermediaries as ‘pushers’ of policy routines and technologies” (Peck 2011b, 773:4). Furthermore, according to Peck (2011b) global policy models, such as CCTs (‘Conditional Cash Transfer’) are not only imported by, or imposed on local authorities or institutions, in the form of “off-the-shelf solutions”; they are circulated across networks of advocates, innovators and emulators and they intensively mediated by multilateral organizations. Co-produced through these multilateral interactions, global policy models can be seen as mobile. This transnational effort of policy transfer has yet to yield convergence, leading to better outcomes, and this is unlikely to occur, since the diffusion of ideas depends on the specific context of each given country. Therefore, even though corrections to the “fast-policies” solution that was perceived to have extreme effectiveness to CCTs, were diffused into various countries, fulfilling in this way the continuous mutation of the solution, its application has decisively failed, for various inherent contextual factors (Peck, 2011b).

Dolowitz and Marsh (2000:5) define policy transfer as “a process in which knowledge about policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting”. Dolowitz and Marsh (1996) continued, however, to distinguish between voluntary and coercive policy transfer in order to help us to understand what drives the process of policy transfer. They further argue that it is more useful to consider that voluntary and coercive policy transfers are two extremes of a continuum. They initially use these classifications to explain why country *A* would want to transfer policy *B*. Dolowitz and Marsh (1996) refer to the voluntary adoption of new policies as is most likely to occur as a response to a particular policy problem that requires a better

solution than those already on offer. On the other hand, coercive transfer occurs when one government directly forces another to adopt a policy. However, indirect coercive transfer occurs when pressure to reform their public sector may force governments into policy learning activity.

In the literature there are several forms of policy transfer which actors have used after coming under pressure to find solutions to policy problems. Actors with power, such as NGOs, the IMF, or the EU, are able to impose their policies in order to implement change in tangible institutional, legal or regulatory form. This policy transfer may occur during economic crises when rapid policies are needed to be implemented. For instance, the IMF and the World Bank have direct coercive power and can oblige their members to adhere to their policies. During the 1980s-90s, the IMF and World Bank forced their policies on post-communist states requesting financial assistance (Dolowitz, 1998). As well, the international community pressures governments into policy adoption (Dolowitz, 1998), as was the case of Norway when was pressed into adopting workfare policies (Dolowitz, 1998). More recently, the continued funding that southern European countries (Spain, Greece, Italy, and Portugal) needed from the Troika after they entered the bailout agreement during their financial crises was contingent on them adopting the Troika's policies.

Among the plethora of policy networks for the diffusion of processes, isomorphic practices have been also identified by DiMaggio and Powell (1991). According to them institutional isomorphism indicates not simple convergence, but a tendency for conformity between organizations, and on the other hand the 'field' in which they are located (DiMaggio & Powell, 1983). The concept of isomorphism coined by DiMaggio and Powell (1991) seems particularly helpful as organizations are prone to 'isomorphic processes' that lead them to converge towards each other. DiMaggio & Powell (1983, 1991) argue that management practices are influenced by three institutional mechanisms: coercive, mimetic and normative isomorphism. A state of 'coercive isomorphism' results from both formal and informal pressures exerted on organizations by other organizations. Coercive occurs when organisations use legislation and exercise power upon related organisations, in order to adopt their characteristics and their structures. The World Bank, IMF and EU commission

impose certain administration arrangements on the loan recipient countries to adopt certain policies. Second, mimetic isomorphism occurs when there are conditions of uncertainty, which is a powerful force that encourages imitation. Under these conditions the safest strategy occurs in organisations that copy processes from other organisations which can be considered to be ‘best practices’, ‘modern’ or ‘successful’ (Pollitt, 2001). The third, notion is ‘normative isomorphism,’ and associated with professionalization and institutionalization where professional and well trained staff is employed by different institutions or public organisations to train their employees. This kind of convergence, according to Powell & DiMaggio (1991) would not have anything to do with global economic pressures.

The diffusion process implies isomorphic elements, creating pressure for similar reforms and structural changes in many countries (Christensen and Laegreid, 2011). Internal pressures include the roles of politicians, public officials, unionists and academics. External pressures include international institutions such as the OECD, EU, World Bank and IMF whose roles are important in the spread of NPM. Although both internal and external pressures are important in the policy transfer, the literature emerges that in East Asia, the colonial legacy remains strong enough for policy transfers to occur between former colonizing powers and the countries they used to dominate. In addition, Halligan argues that “small nations are more externally oriented” and will scan the international environment automatically (Halligan 1996:292 in Common 1998:447).

The pressures from several multilateral financial institutions, donor agencies and international management consultants, such as the World Bank (WB), the International Monetary Fund (IMF), the EU, the OECD and other donor agencies dominate as external mechanisms in the transfer of management reforms in both developed and developing countries. Scholars suggest that external pressure exerted by international donors played a crucial role in encouraging different countries to adopt NPM practices. Particularly, since 1980, donor agencies imposed structural adjustment programmes as a pre-condition for providing funds, thus forcing developing countries not only to adopt market policies but also to develop and improve the public sector based on NPM style practices. Beyond the pressures

exerted on developing countries, external pressures for reform and NPM practices are also exerted on southern European countries in order to meet the EU criteria on public debt and budget deficit (Kickert, 2011).

Rich OECD countries have changed their public models to reflect a changed economic environment that is due to the pressures to reform their public sectors following models belonging to New Public Management. Pressures to reform have fundamentally increased over the last decades due to global influences and the changeable international environment, the new role of the governments, increasing demands and expectations of citizens and the current global economic crises (OECD, 1999b). Consequently, due to these urgent calls for reform, governments have to be alert to keep up with constantly changeable societies, to be more responsive to the needs of their societies, and to respond to current challenges.

Besides “coercion”, “mimetic” process is another issue of the isomorphism associated with modernising the public sector, and countries copy processes from other organisations which can be considered to be “best practices”, “modern” or “successful” (Pollitt, 2001). In particular, reformers share their experiences related to their domestic issues of reform. The European Public Administration Network (EUPAN) is a European organisation where all the associated members can share and adapt their experiences and characteristics. The third notion of the process of isomorphism is the term “normative”, and is related to the training of public sector employees.

The spread of NPM ideas and practices is a complex process and each country follows its own reform trajectory within a broader framework. In this way the adoption of NPM reforms is related to economic, political, ideological and administrative considerations:

First, the global crisis, which started in 2008 with the banking crisis, forced governments to find ways to save financial institutions. This was followed by the economic crisis that emerged after the financial crash started to affect real economies resulting in the current fiscal crisis (Di Mascio & Natalini, 2013). During the earlier

worldwide recession in the 1970s, most of the economies of the West experienced fiscal pressures which led them to implement NPM reforms in order to prevent economic stagnation and to trigger economic growth. Recent scholarly research has provided multiple insights about the impact of the current crisis on public administration, but empirical studies are few and are focused on western and eastern European countries.

The current financial crisis in many OECD countries has influenced governments to reduce administration budgets and cut spending (Pollitt 2010). No comparative research has been done on the southern European countries of Italy, Greece, Portugal and Spain, although they have faced much pressure to cut spending, which has forced governments to undertake rescue packages and to apply cutback measures (Armingeon and Baccaro 2012 in Di Mascio & Natalini 2013).

Second, political and ideological considerations were powerful factors that forced many countries to implement NPM reforms. Moreover, the changeable political and socio-economical environments in international markets, in addition to the influence of the European Community and the administrative systems of each country, are demanding governments to improve their roles (OECD, 2000a). There is no fixed solution, as reformers have to find those solutions that are appropriate for their national contexts and their reform objectives.

Pollitt (1993) notes that President Reagan's election in 1978 compelled the US government to make market-oriented reforms in the public sector, which was already under pressure to streamline. Similar changes in the political context took place in Australia (Larbi, 1999) and New Zealand, which both brought in pro-reform governments. Caiden (1991:4) notes that strategies to cut the size of the public sector were buttressed by "an ideological campaign to reverse the growing reliance on the administrative state and to get government off people's backs".

Third, the traditional public administration was plagued by many problems. According to Larbi (2003:1), "Old public administration was seen as too slow, driven by rules instead of performance, inefficient and unresponsive to users". Traditional

bureaucratic models have been challenged, particularly in several countries that inherited bureaucratic practices from their colonial rulers. One of the most dominant features of government bureaucracy in developing countries is their inherited colonial legacy, although the implementation of management reforms, including privatisations and market liberalisations, have challenged official procedure, specifically in terms of the size and the poor performance of public sector. The focus of colonial administration was on maintaining law and order without much investment to improve the responsiveness of public programmes to citizens' needs (Haque, 1997).

As was indicated above, in developing states, the administrative systems were imposed by the colonial powers imitated Western models that had begun in the socio-historical context of the Industrial Revolution where there was already well-developed institutional capacity (Haque, 1997). Unfortunately, developing countries adopted such Western models without experiencing similar contextual realities. Therefore, public services of those countries were characterised by weak institutional capacity related to the human resources and government funds. Moreover, in the absence of market mechanisms, government agencies oversupply collective goods because of budget maximization behaviour (Niskanen, 1971). This also permits rent-seeking behaviour by bureaucrats, their clients and politicians. Dixon et al, claim:

“[There is] “opportunism” in traditional public administration. This refers to the “self-serving” (rent-seeking), even deceitful and dishonest, behaviour by bureaucrats, their clients and politicians created either because environmental uncertainty makes contracts incomplete or because “principals” cannot effectively monitor the behaviour of their “agents”, who do not have identical interests and who have information that is not accessible to them” (Dixon et al., 1998:165).

Furthermore, political patronage and clientelism, rent-seeking, mismanagement and corruption are additional problems to emerge in many public services of mainly developing countries. In addition, political clientelism and patronage is a classical characteristic of the political systems in Southern Europe, and Cyprus is not exempt. Previous research has shown how the institutional setting hampered selective approaches by constraining the reform ability of governments within a fragmented context through political patronage and clientelism (Kickert, 2011).

The various factors identified above exert external and internal pressures in different ways in different countries. Every country faces unique contexts, risks and problems and has its own starting point and particular stages of reform (Wright 1994 in Christensen and Laegreid 2011).

Underpinning all this, however, is the assumption that the public sector is ineffective and inefficient, and, therefore, the introduction and implementation of NPM practices are required to improve its performance. This statement has been strongly supported by donor agencies that have come to control the reform process by diffusing, financing and even managing the implementation of NPM practices. Of course, the implementation by every government of these initiatives has significant consequences.

## **2.5 Implementation of NPM**

The preceding section discussed the role both external and internal actors played in the adoption of NPM reforms and it was suggested that NPM reform elements were often externally driven. However, in many cases, they rely on the perspectives of stakeholders and on the relative effectiveness of various approaches of improvement, depending on whether these are based on external interventions, market disciplines, managerial leadership, or internal reorganisation (Hodgson et al., 2007 in Fairbrother et al., 2012). Thus, when considering the various measures and practices that have been introduced to improve the performance of the workforce according to the NPM approach, it is important to take into account other internal and external factors that are driving the government to respond effectively, as, depending on the underlying motivations, the ultimate results and degrees of reform success may hold different interpretations.

External actor agencies have played an important role in both the adoption as well as the implementation of these reforms. In light of that, the NPM implementation process in mainly developing countries is directed and controlled by external actors.

Although, many developing countries adopted NPM reforms the applicability of these NPM elements were poorly implemented (Batley, 2004). There are various



factors responsible for this failure. First, the institutional context raised the most serious challenge to successful reforms. Despite what literature acknowledges as challenging factors driving NPM reforms in developing countries, and how closely the factors are linked to the complex local economic, political and culture environmental initiatives, there has been a failure to apply context-specific solutions to deal with identified problems. In other words, various cultural, economic, political and technological factors constrain the effective implementation of such transitions (Brudney et al., 2000). Other scholars suggest the “one-size-fits-all” concept is another problem associated with the applicability of NPM, as outcomes could be different from one organization to another according to definite factors (Hughes, 1998).

Second, some scholars claim that insufficient institutional capacity is another factor that negatively contributes to the implementation of NPM reforms. For example, Sarker (2006), in his study of NPM in Singapore and Bangladesh, highlighted the necessity of institutional capacity in the implementation of NPM reforms. Singapore has succeeded because of the strong institutional capacity within its public sector and its implementation of NPM elements was remarkable. On the other hand, in Bangladesh, the institutional incapacity within its bureaucracy is marked by its inability to implement NPM practices.

Third, political leadership and public bureaucracy is another constraining factor for the implementation of NPM reforms. In Bangladesh (Sarker, 2006), political and bureaucratic leadership paid little appreciation to the proposed reform programmes. However, where political leaders could benefit politically from the reforms, they encouraged the implementation of NPM ideas. With the emergence of New Public Management (NPM) discourse (Hood, 1991), authors have argued that the nature of constraints such as bureaucratic culture and political influence underpins the process of change in the public sector (Brudney et al., 2000; Brown et al., 2003). Thus, the restructuring of the public sector and the minimisation of the administrative arrangements of the government is very important, specifically in terms of a de-bureaucratisation process (Pollitt and Bouckaert, 2004:187-89; Pollitt, 2007:17).

Fourth, some scholars argue that public management reforms failed because of the corruption and over-politicisation of public administration. In Greece (Di Mascio & Natalini, 2013), the unwillingness of the political elites to implement reforms, enduring clientelism and favouritism in a highly politicized environment have resulted in a negative attitude towards NPM implementation. Furthermore, corruption has particular implication for NPM reforms. Corruption, over-politicisation of administration, inability and ineffectiveness in applying rules are some of the factors that indicate failure of implementation of NPM reforms (Sarker, 2006).

Therkildsen (2000:62) sums up the following which brings together the elements of the argument:

“It is in this context of economic and political liberalization, modest economic growth, severe budgetary constraints, poor public sector performance and substantial donor dependency that the paradox of public sector reform occurs. Multiple changes in the public sector are pursued despite fragile domestic political support for the reform package as a whole and despite few service delivery improvements on the ground”.

## **2.6 Conclusion**

This chapter explored the literature on NPM reforms to better understand how they are adopted and implemented. The NPM experience of developed countries was suggested to set a suitable backdrop for further exploration of NPM in other countries.

The emerging necessity for the introduction of new models of reform in areas of public management acquired great importance. NPM came to be viewed as a modern model for public sector reforms, sufficient to solve many public sector problems. The origins of this model emanate from two key schools of thought, one of which derives from public choice theory, and the other from private sector managerial practices, popularly known as “managerialism”. From the literature it appears that there is no

one fixed version of NPM, as what may prove to be an optimal reform model for one country may not be the best practice for another. Each country's reform objectives may be based on an entirely unique contextual framework, thus leading governments to adopt NPM strategies according to their particular circumstances, rather than rely on the “one-size-fits-all” universal prescription model preferred by donor agencies.

This notwithstanding, NPM principles have been widely recognised in many countries, although conversely, there are also those critics who believe it is not the best model for reforms. One main reason given for this is that private and public sectors cannot be dealt with in the same way since there are differing objectives. For example, in the private sector profitability is a primary objective, whereas social equality is more important for the public sector. Despite these more critical views, there are no definitive conclusions suggesting that NPM is not an appropriate model for reform. In fact, the application of NPM has been shown to work both effectively and efficiently, leading to an improved way of serving society.

Various factors hampered the implementation of NPM reforms in various countries and different countries face different contexts risks and contexts (Christensen and Laegreid 2011).

The next chapter elaborates on the most relevant elements of NPM explored for the present study. Together with the literature review, a solid foundation is established for the examination of public management in the context of Cyprus.

## **CHAPTER III**

### **PUBLIC MANAGEMENT REFORMS IN CYPRUS**

#### **3.1 Introduction**

The previous chapter presented the meaning both of private and public sectors and investigated the concepts and factors which influence the reforms of public management in various developed and developing countries. It discussed the theoretical basis for NPM and its application in developed countries. This chapter aims to analyse the applicability of NPM practices to Cyprus. It begins with a brief discussion, firstly, of the relationship between public administrations versus New Public Management and then explores the historical legacies of public administration in Cyprus and the specific characteristics of the Cypriot public sector, along with its political and socio-economic context, as well as influences received from the EU. There follows a brief discussion of the various public administration reforms attempted in Cyprus and a discussion of the convergence towards NPM. Finally, it analyses the various elements of NPM practices and their applicability to Cypriot public administration.

#### **3.2 Public administration Vs New Public Management**

Public administration is undergoing a period of transition. Out of the vast amount of research related to public management, only the bureaucratic system of Max Weber, which is the traditional system of public management and NPM, has succeeded in influencing public administration in many countries (Petrescu et al., 2010). Though Weber's bureaucratic system represents a traditional system of public administration, it did not possess the necessary capacity to deal with the new needs of the citizens (Calogero, 2010). In the last twenty years, public administration has undergone important changes linked to the changing socio-economic context and politico-administrative system of continental European countries and reform trajectories. Furthermore, Anglo-American types of reform have been adapted in continental European countries in order to adjust these reforms to their specific national contexts.

In addition, political and economic integration in Europe, along with a lack of financial resources and increasing complexity have all contributed to the process of moderation of public administration (Calogero, 2010), which has driven public systems toward the use of instruments and new principles for innovation in organizational, managerial and information systems. Moreover, this process is leading the public sector toward new forms of legitimization and the introduction of a new legal framework to suit the new conditions arising from the social-economic changes in society (Calogero, 2010). In their endeavours to identify the best and most functional model of government, scholars have developed a new model, known as NPM (Hood, 1991), and regarded as a set of doctrines for public management reforms in many countries. It represents a major shift from conventional public administration in various ways (Ehsan & Naz, 2003), and as noted by Osborne and Gaebler, it has encouraged a “cultural shift away from bureaucratic government towards an entrepreneurial government as it is both competitive and customer driven” (Osborne and Gaebler, 1992).

NPM is to a large extent based on the assumption that public sector organisations need to learn from private sector and private companies. The main essence of NPM was to emulate what have been perceived to be “critical aspects of private sector modes of organizing and managing” (Dawson and Dargie 2002:35 in Yamamoto 2003:3), given that private sector management techniques and infrastructures are perceived as inherently more effective and desirable than those currently implemented in public administration (Metcalf 1989 in Yamamoto 2003:3).

This research project deals with Cypriot public administration reforms carried out in recent years, and the influence of ‘New Public Management’ principles on these reforms. In the case of Cyprus, country-specific historical legacies have negatively influenced public administration reforms undertaken with the purpose of overcoming the bureaucratic features of the public sector, and cultural features which include political patronage and clientelism. In spite of Europeanization processes, specific problem areas and weaknesses have been identified by the Cypriot civil service, as summarised below:

1. Public services are influenced by paternalistic relationships

2. The bureaucratic and time-consuming procedures lead it to underperform, becoming inefficient and wasteful
3. Inflexibility in the effective use of staff, due to some limiting provisions in the Schemes of Service
4. The existing recruitment and remuneration systems are problematic
5. Absence of adequate and qualified permanent staff
6. Ineffective system of evaluation of civil servant performance
7. Problematic organisational structure of civil service organisations
8. Absence of strategic direction and vision
9. Existing culture, values, beliefs, attitudes and behaviours
10. Strong resistance to change (CAPA, 2006).

These areas of weakness remain obstacles to further reform. The Europeanization process has positively influenced the public administration sector in Cyprus, even though bureaucratic systems constitute the prevailing mechanisms used by the government in the implementation of its administration. The variation resulted from the socio-economic dislocation caused by the Turkish invasion in 1974, highlighting the need for a more legalistic and managerial administration. According to Pollitt these models mean to cause ‘deliberate changes to the structure and processes of public sector organisations with the objective of getting them to ‘run better’ (Pollitt 2004 in Alba and Navarro 2011:784). The following section demonstrates how the historical legacies of the island, the government, politics and the effect of EU membership have all influenced the introduction and adoption of NPM reforms.

### **3.3 Historical legacies and Public Administration – Specific characteristics of the Cypriot Public Sector**

It is important to clarify the role and significance of the cultural legacy of Cyprus, along with a number of related variables, in order to understand the reason for which the Cypriot public administration has lagged in adopting various administrative reforms. Additional factors include its recent accession to the EU in 2004. Cyprus is considered to be a young Republic as it gained its independence from the United Kingdom and became an independent nation in 1960. The country's system of governance is based on the presidential system (Ministry of Education and Culture, 2008). The constitution of Cyprus was drafted on the basis of the Zürich and London Agreement (19 February 1959) which institutionalised communal dualism between the Greek and Turkish communities on the island in all spheres of government activity (Ministry of Education and Culture, 2008). In 1974, Turkish troops invaded the island and occupied 38% of its territory. Since then the southern part of the island has remained under the control of the legitimate Cypriot government and the northern part of the island has retained an autonomous Turkish-Cypriot administration. The socio-political profile of Cyprus is distinctly marked by the consequences of the 1974 invasion where the Turkish community created the 'Turkish Republic of Northern Cyprus'. Therefore, the Republic of Cyprus has no administrative control of the Turkish occupied area, which remains unrecognised by the international arena, and access to reliable data and documentation is almost impossible. Hence the focus of this research examines the reliable sources relating only to the Republic of Cyprus.

The Constitution of the Republic of Cyprus provides for the separation of the three government powers: executive, legislative and judicial. Executive power is exercised by the President of the Republic and a council of Ministers numbering eleven members. Legislative power is exercised by the House of Representatives and judicial power by the Courts (Ministry of Finance, 2008). When Cyprus was still a British colony, Western European norms and regulations pertaining to administration and law were implemented in the Cypriot government (Faustmann, 2010). After gaining independence, many Western norms and regulations were adopted by the

new Republic. However, political patronage can be considered an important feature of Cypriot society (Faustmann, 2010) for a number of historical reasons.

After the death of Archbishop Makarios III (Michail Christodoulou Mouskos, 1913-1977), the first president of Cyprus (1960-1974), two new parties, DIKO (Democratic Party) and DISY (Democratic Rally) were founded in 1977. The communist party AKEL (Progressive Party of Working People) and the Socialist EDEK (Movement for Social Democracy) had existed long before 1977.

At this historical juncture clientelistic practices were exercised by all the parties in Cyprus. According to Faustmann (2010:283-284) party patronage in Cyprus was allocated in the two forms of impersonal party patronage toward its voters, and individual patronage. In the latter case whole “clientelistic sub-networks” developed as a result of the relationships between individual politicians and citizens. In this way, higher echelons of public administration came to be selected by ministers. Recruitment to the civil service and promotion in the civil service hierarchy were based on criteria of clientelism and patronage. These practices have hindered healthy public relationships and political culture, as well as the economy on a number of levels, since as noted by Faustmann (2010:269) “political patronage undermines the principle of meritocracy and has led to the establishment of oversized and privileged public and semi-governmental sectors at the expense of the wider Cypriot public, which is footing an increasing bill that the Republic of Cyprus might soon be unable to afford”.

As succinctly described by Mylonas (2004:3), the Cypriot civil service is “basically bureaucratic with a high degree of centralisation, and inflexible organisational structures and procedures”. The Cyprus Academy of Public Administration (CAPA) is an organisation falling under the Ministry of Finance and contributes to the improvement of the efficiency and effectiveness of the Cypriot civil service and its modernisation through management training, consultancy and applied research. A training division, the Department of Public Administration and Personnel (PAPD) has been added with the purpose of assessing training needs, formulating training policies, and coordinating training for the civil service. Human Resource



Management policies are still centralised under the PAPD, covering such matters as remuneration, schemes of service, mobility, recruitment of part-time personnel on an hourly wage, organisation and structures, pensions, training budget, and so forth (Cyprus Academy Public Administration, 2009). Despite the purposes of these institutions, however, past efforts to modernise and reform the civil service, based on a 'Comprehensive Plan for Reforming the Entire Civil Service' (Mylonas, 2004:3) approved by the Council of Ministers some years ago, have been both haphazard and unsuccessful, thus far remaining at the implementation stage.

This state of affairs can be attributed to the fact that the reforms did not assign the necessary importance to HRM and cultural issues (Mylonas, 2004; CAPA, 2009), resulting in a very strong resistance to change. Moreover, there is no agency or body responsible for the promotion and follow-up of these reforms, which proved to be very difficult to sustain (CAPA, 2009). The most important reason is the lack of a proper public management system for the development of an effective and well coordinated government policy as political leadership is a driving force behind the implementation of administrative reform efforts. Moreover, according to Hughes (1995: 15) in O'Donnell et al (1999:4) "the traditional model involved public servants being accountable to ministers, under the control of Parliament, and neutral when implementing government policy decisions". Immergut has suggested that the reason for the limited effectiveness of reform efforts is that "political and administrative institutions 'set the boundaries within which strategic actors make their choices'" (Immergut 1992 in Sosen & Shaw 2002:477). Thus these efforts are continuously constrained by the long legacy of patronage, the mentalities and culture it has fostered, as well as the resulting administrative structure itself.

The need for modernisation of the Cypriot civil service has become more imperative than ever, now that Cyprus is a full member of the EU and will have to compete on an equal basis with its European partners (Mylonas, 2004) despite inherent disparities in its infrastructure and economy. Even though there is no "*acquis communautaire*" for the civil service, one cannot overestimate the effects of European integration on public services. The past president of the Cypriot government, Mr Tassos Papadopoulos, recognised the need for modernisation of the

civil service and committed himself to supporting organisational efforts for modernisation and change with all the necessary resources, in such a way that citizens would become the centre of these efforts (Mylonas 2004; Panayiotou 2003). However, no comprehensive reform and modernisation plan has yet been implemented and no concrete measures have been promoted in this direction (CAPA, 2009).

Since the 1980s NPM can be characterised as having become the most dominant approach for public sector reforms, and has led to change in the public sectors of many countries (Gautam, 2008). Nevertheless, NPM reform measures are not the same everywhere. Administration reform practices are different in continental European countries and practices that have worked well in one given country have not been as successful in others. Furthermore, no ideal universal model appears to exist that can be applied to all countries, particularly given that a number of variable factors have to be closely investigated.

As noted by Christensen and Laegreid (2001), there are some cases in which the influence and ultimate adoption of NPM principles are externally generated, and others in which 'national or local initiatives' are the main motivators. Hence, the way in which NPM practices develop, are presented and implemented, is contingent on a variety of factors including the 'reform trajectory' being followed. As also noted by these authors, 'there is no any specific starting point or a neat package or reform elements following a specific path or having a specific destination' (Christensen and Laegreid 2001:1-2 in Gautam 2008:6). In some cases both the principle of a given reform and its implementation both play a significant role, and many administrative reforms that have been developed successfully in other Western European Countries, such as Britain for example, are implemented according to the country's specific situation and context (Magone, 2011). Moreover, pioneering the implementation of NPM models, Britain introduced significant reform measures during the Thatcher administration (1979-1990). These measures were essentially based on business style management practices, on public service delivery, a citizens' charter, and market mechanism (Kickert, 1997). After 1980 NPM practices spread outside the UK.

New Zealand introduced NPM practices based on the economic theory that focuses on contracting out procedures of government public service. In addition, Australia introduced a series of reforms such as ‘corporatisation, contracting out, market orientation, and quasi-market mechanisms in delivering public services’ (Gautam 2008:5). The USA initially developed NPM practices based on the ideas of the Ten Principles of ‘Reinventing Government’ advocated by Osborne and Gaebler.

In Spain, a decentralisation process was developed ‘between’ 1979-1983, more within the context of endogenous process than new public management. New public management instruments were introduced in 1990 as there was much resistance from the conservative groups of the government, and reinforced unions made the transition to change more complicated (Magone, 2011).

Piecemeal administration reforms without the introduction of a proper administration package significantly hinder any reformation endeavours. Moreover, there were no incentives for competitive privatisation, and managerialism has proceeded at a slow pace. Pina and Torres state that “instead of decentralisation and more autonomy, the structure of line managers remained rigid and centralised, preventing more accountability, flexibility of management systems and budgetary procedures” (Pina and Torres 2004:459-61 in Magone 2011:759). In France, the assessment of individual performance and the introduction of market principles are difficult to implement, since unions wield substantial power in public employment (Guyomarch 1999:177-185 in Calogero 2010:43). The classic Weberian model of administration is still the main feature of the German speaking world (Torres 2004 in Calogero 2010), and the German administration is linked to the *Rechtsstaat*. Administration practices are legalistic and can be characterised by job security with regular salaries and pensions, a career within a hierarchy and permanent contracts (Torres 2004 in Calogero 2010).

In addition, administrative reforms have been observed in the Scandinavian countries, though their reform models are not the same as those of Anglo-Saxon and Anglo-American countries. NPM practices in these cases were based on managerial theory such as management by objectives, devolution, and so forth. In Scandinavian

countries, the administrations pay much attention to the needs of their citizens and there is very good communication and negotiation between the private and public sectors. Hence, the reforms adopted by Scandinavian countries fell within the broad value framework of welfare states (Christensen and Laegreid 2001 in Gautam 2008). In Sweden ministries do not have direct responsibility toward the decisions of the agencies and therefore they do not have the option of making different decisions. On the contrary, in Denmark and Norway ministries have a direct control of public agencies. These differences have resulted in a different relationship between the workers in the civil service and politicians.

In Greece many of the administration reforms introduced in 1990 became heavily politicised, thus failing to achieve the modernisation of public administration according the principles of NPM (Spanou 1996 in Magone 2011). Both the successful and the failed introduction of NPM principles throughout the EU reflect the conclusions drawn by March and Olsen (1983), with regard to the extent to which administrative reorganisation reflects on the wider nature of politics, as well as the overall extent to which viewing administrative reforms as a 'dependent variable' may come to reveal complex dimensions of the internal political culture of a given country, both past and present (March and Olsen 1983 in Spanou and Sotiropoulos 2011:724).

As noted above, the applicability of NPM does not only influence public sector reforms in developed countries, since NPM practices have also been observed in a number of developing countries after 1990. The devolution of departments from central government to various agencies has been the basic element of NPM in UK administration practices. This type of devolution can be observed in several developing countries as well.

Numerous African nations including Ghana, Kenya, Zambia, South Africa, Malawi, and Zimbabwe are currently taking steps to rebuild their health services along corporate models (Polidano 1999:5-6 in Gautam 2008). This involves restructuring the health service by making hospitals independent and governed by separate boards

of directors, and separating service delivery operations, much as has occurred in the UK (McCourt 2002:229-230 in Gautam 2008).

Taxation bodies such as Revenue Authority models are also derived from NPM, and are becoming more broadly applied in sub-Saharan African countries, to include Mozambique, South Africa, Tansania, Uganda and Zambia. The administrations of developing countries are in a process of delimiting the scale of government activity through familiar strategies such as privatisation, deregulation, and downsizing, thus altering the role and function of governments, as facilitators rather than overarching regulators. Therefore, NPM is a very popular model for the public administration reforms of developing countries.

Its popularity notwithstanding, the rationale behind NPM adoption in developing countries often has very different motivation and context to that observed in developed nations, once again highlighting the extent to which NPM application and implementation varies depending on these factors. In some developing countries, NPM adoption is no more than a result of mimicry of trends observed in world markets, and in others it is more due to the globalised nature of NPM applications. In other cases, government restructuring and reform are imposed as a condition of aid provided by a variety of donor agencies, including the World Bank, the International Monetary Fund, the Asian Development Bank, and so forth. Hence, reform processes in developing nations provide interesting examples of the variance in both motivation and procedures of NPM application.

Many authors (Common, 1998a; Painter, 1997) have argued that NPM does not have any solid theoretical foundation of its own that could be transferred into the context of a given administration. This suggests that administrative reforms and the applicability of NPM have to be defined within the specific context of each given country, taking into account the political context, socio-economical context, the influence of the European Community and the administrative systems of the country. With regard to the present research topic, the key question to investigate is what the various are – and variable - factors that influence the applicability of NPM practices

to the public sector in Cyprus? This must necessarily begin with an investigation of the overall political context.

### **3.3.1 Political Context**

Political stability, commitment and interest are among the essential variables for state and public administration reforms as they help to build a long-term vision and strategy for the reforms (Pollitt and Summa 1997; Taylor 1996). Cyprus has a very stable political system, and its government is structured similarly to other Western democracies, where human rights, political pluralism and private property are protected (Kassapis, 2009:4). The island was under British administration from 1878 to 1960 when it became an independent and sovereign republic. Common law is the basis of the Cypriot legal system, with civil law modifications. Most of the principles are the same with those applicable in the United Kingdom (Kassapis, 2009).

The Republic's constitution is largely modelled on the American constitution. The President is the Head of the Island and is elected for a period of five years. The Council of Ministers, appointed by the President, is the executive organ of the Republic (Kassapis, 2009). Legislative power lies with the House of Representatives whose members hold office for five years. A multiparty system is in operation and the electoral system is based on proportional representation (Kassapis, 2009). There are two major parties (AKEL) and (DISY) and a number of minor parties. Political parties in Cyprus do not support only their policies and ideologies but they can be characterized as organisations that provide jobs, promotions to the higher level of hierarchy in the civil service, subsidies, pensions and more to the members of their party. Specifically, a bureaucrat can bribe a politician with an exchange, the second one to offer to the former career support or any other information. This clientelism and patronage is the basic feature of the Cypriot political parties' policies which is similar to those in other Western European countries (Kickert, 2011). After the independence of the island and the invasion of 1974, many people were employed without a formal entrance examination or the need for qualifications, as initially DIKO (a party founded after the death of Makarios) offered jobs to its voters in the public sector (Faustmann, 2010). This procedure was re-instated due to the

intervention of the other parties. At present, political appointees can only be employed in the public sector if they successfully complete a competitive entrance examination. However, as noted by Kickert (2011:810), the official procedure is often sidestepped via political 'shortcuts'. The new system was quantitatively formalised and standardised to offer equal rights to the candidates, however, clientelism and political patronage can be regarded as a constraining factor for the adoption and development of administrative reforms in the public sector as it continues on a large scale. Furthermore, in order to minimise any personal influence by political parties to the career path of civil servants the administrative hierarchy was determined by seniority only. Widespread political patronage and clientelism are key political features in Greece, Italy, Spain and Portugal, (Kickert, 2011), each for specific historical, sociocultural and other reasons that form a unique context in each country.

### **3.3.2 Socio-economic Context**

The nature of the Cypriot economy and society can both be considered as promotional factors for the country and public administration reforms, but they are simultaneously constraining factors. The Cypriot economy faces particular challenges as a result of its small size (Sepos, 2008). It is an open and flexible economy with a population of 789,300 in 2007. Local manufactures have to import raw materials from abroad due to the lack of natural resources. This affects their competitiveness both in the domestic and the export market. In addition, the geographical placement of the island increases the cost of production due to higher transportation and storage costs. Therefore, Cypriot products are not as competitive as those of their foreign counterparts. The small size of the economy is a constraining factor for local manufacturers interested in entering the world market as their production and exports are insignificant in relation to world trade and they are exposed to the fluctuations that may occur (Sepos, 2008). In addition, as Cyprus is a small country, direct foreign investment is not encouraged as infrastructural development is costly, thus undermining competitiveness. At present most small businesses in Cyprus are facing considerable difficulties due to the recession and the world economic crises. This situation has forced many of them to move to the

informal sector and to evade taxes. Thus both the nature and size of the Cypriot economy can be considered constraining factors in the implementation of market-oriented mechanisms by the public administration.

Despite the social and economic dislocation caused by the Turkish invasion in 1974 the economic recovery can be characterised as an economic miracle and the Cypriot economy was transformed into a relatively modern one by investing in human capital, services and infrastructure (Sepos, 2008). Simultaneously, the Cypriot economy is characterised by conditions of almost full employment, with a high employment rate. The unemployment rate is relatively low and Cyprus has experienced strong economic growth ever since independence in 1960. However, despite buoyant economic growth, and high employment rates, Cyprus is also facing a major, long term fiscal challenge resulting from an ageing population. The GDP growth rate in real terms reached 4.4 per cent in 2007 and shows a steady growth reaching 95.8 per cent in 2008 in terms of the GDP in the EU (Christofides, 2012).

Despite the global financial crisis, the Cypriot economy continues to illustrate a positive GDP per inhabitant, GDP growth of 0.6% with the inflation rate at 2.5% and a fiscal deficit which is relatively low. The growth for 2011 was 1.5%, though this is dependent on the worldwide economic crisis which is inevitably affecting Cyprus (Christofides, 2012). On the other hand, the global economic crisis affected the Cypriot economy and public finances with a time lag. The budgetary constraints imposed by the EMU have limited the options for public administration reforms. EMU membership has shielded the Cypriot economy from being negatively impacted by the financial crisis such as in the case of Iceland and Britain (Magone, 2011). Thus, the government has committed to reducing the proportion of GDP represented by public spending. Through the National Convergence Plan (2005-2009 & 2006-2010) Cyprus was obliged to control public pension expenditure (retirement age in public sector shifted from 60 to 63) and health care in order to improve the long-term sustainability of public finances (Sepos, 2008). Further measures included reductions in government sector employment growth, reductions in salary increases to civil servants and the reduction of the government's contribution to social security funds, instead implementing an increase in the contributions of public sector



employees (Sepos, 2008). All of these factors have contributed to a tight fiscal policy.

### **3.3.3 The Influence of the EU**

Most of the variables already explored may be considered constraining factors. Cyprus faced major difficulties in overcoming the bureaucratic features of the public sector and the cultural features of political patronage and clientelism. Europeanization processes have triggered changes in public administration reform in Cyprus. The EU has represented the most important 'external link' to the public administration reforms after joining the European Union in 2004. After the accession of Cyprus to the EU on the 1<sup>st</sup> of May 2004, the Cyprus government undertook the obligation to join the Economic and Monetary Union and to adopt the Euro on the 1<sup>st</sup> of January 2008, making it the official currency of the country.

External pressures from the European Union to meet EMU criteria are forcing the economy of Cyprus to implement liberalizations and privatizations, particularly with regard to significant aspects of modernisation of the public service sector. Regarding structural reforms, the aim was to enhance competition by raising the efficiency of the public sector and to restructure semi-governmental organisations with a view to enhancing their flexibility (Sepos, 2008). Cyprus is integrated in EUPAN (European Public Administration Network) where government officials from each country can compare notes and share experiences among themselves. Hence, Cyprus is working closely with the public administrations of other EU countries in four working groups. These include the Human Resource Management Group (HRMG), the Innovative Public Services Group (IPSG), the E-Government group and the Better Regulation group (BRWG) (CAPA, 2008). The EU is a powerful link for Cyprus and its accession has had a profound effect in transforming its economy to become more liberalised, capitalised and competitive. Moreover, its participation in the common market has had a significant macroeconomic impact with changes in patterns of production and consumption (Sepos, 2008).

# CYPRUS

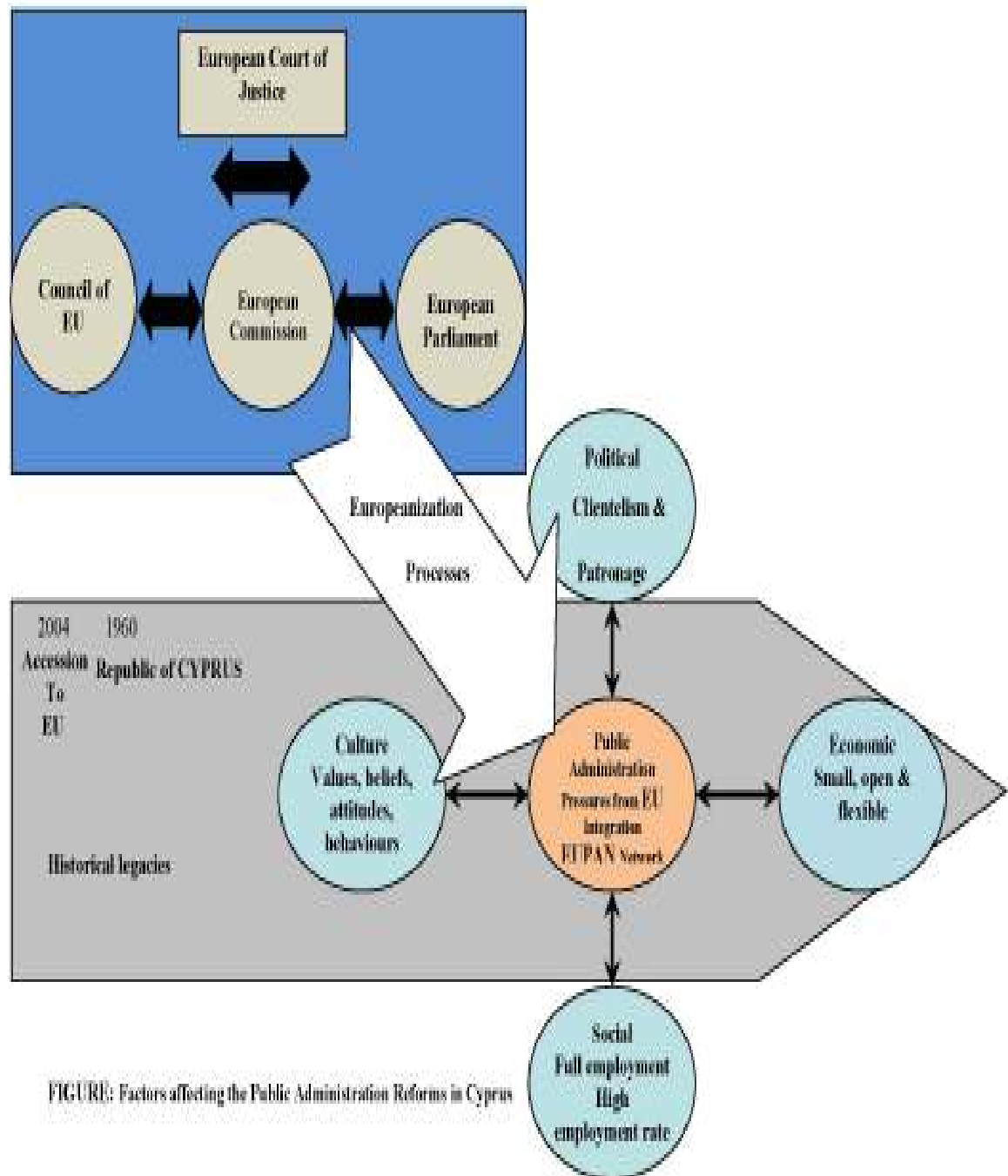


FIGURE: Factors affecting the Public Administration Reforms in Cyprus

### **3.4 The Convergence towards ‘NPM’**

As the effectiveness of the traditional model of public administration began to come into question, politicians, bureaucrats, researchers and academicians searched for a paradigm that would make government more effective and efficient. The 1960s and 70s were dubbed the age of ‘eclecticism’, seen in many academic studies as a time of strengthening the government through policy initiatives (Gray and Jenkins, 1995). In this process, two major streams of thought emerged. One was led by economists and characterised as ‘new institutional economics’; Another, advocated by managerialists, came to be known as the ‘managerialist’ school of thought, and focused on the requirement of re-establishing managerial principles over bureaucracy (Aucoin 1990; Hood 1991). Over the last two decades, changes associated with New Public Management (NPM) have been designed to ensure that public sector organisations become very similar to their private sector counterparts (Box 1999; Boyne 2002 in Poole et al 2006). Diefenbach (2009:892) states that the proponents of NPM maintain that it will “improve public services by making public sector organisations much more ‘business-like’” and according to Hood, “the adoption of NPM by an increasing number of countries world-wide has been described as one of the most striking international trends in public administration” (Hood 1991:3 in Sozen & Shaw 2002:475).

In recent years, changes related to NPM have been made to ensure that public organisation practices converge with those of the private sector. “Government is urged to adopt both the “techniques” of business administration and business “values”, which include the values of competition, a preference for market mechanisms as a means of social choice, and respect for the entrepreneurial spirit” (deLeon and Denhardt, 2000:90; Kamensky 1996:251).

After the accession of Cyprus to the EU, 2004, reform actors were inspired by NPM ideas and the global wave of reforms, to modernise the Cypriot public administration. In the case of Cyprus, the policy transfer perspective can be defined as ‘coercive’ since the EU is the donor agency imposing its conditions on the Cypriot government to adopt certain policies. Therefore, the EU has a powerful influence

upon Cyprus and will lead Cyprus to modernize its public administrations, encouraging the convergence between the public administration system of the island and those of different countries, as well as the convergence between public organisational structures and their equivalents in the private sector. Thus, the reforms and improvements of the regulatory framework according to the legal framework of the EU are very important initiatives for Cyprus, as these actions will lead to the modernisation and the effective operation of the government, thus resulting in the increase of productivity and growth. In this way, the modernisation of public management in Cyprus will induce the convergence with the EU and other associated members throughout the EUPAN where Cyprus can share and adopt their experiences and characteristics.

Another issue is the process of mimetic isomorphism, which occurs in organisations that copy processes from other organisations which can be considered to be ‘best practices’, ‘modern’ or ‘successful’ (Pollitt, 2001). EUPAN has had a profound effect on the Cypriot public administration, as the coordinated implementation by both the government and the organisation is very significant in order to improve performance, competitiveness and quality of European public administrations by developing new tools and methods in the field of public administration, based on the exchange of views, successful coping mechanisms, experiences and good practices among EU Member States, the European Commission, observer countries and other organisations. In cases where Darwinian forces are considered to be the most influential in terms of their socioeconomic impact, in general the same type of “best practice” will be rigorously promoted, leading to convergence and uniformity of composition and functionality. In turn, this produces stronger motivation in other organisations to conform to the same high standards, particularly due to the strict financial penalties incurred in those cases where they are answerable to the national and international financial backers of such initiatives if required standards are not met. Hence, convergence is reached via the practice and implementation of conformity driven by competition and motivation to achieve excellence for fear of penalisation (Dollery & Lee, 2004:3). The third attribute of the notion is ‘normative isomorphism,’ where professional and well trained staff is employed by different institutions or public organisations to train their employees. In Cyprus, the Cypriot

Academy of Public Administration (CAPA) which was established in 1991 is a national professional institute which contributes towards the improvement of the efficiency and effectiveness of the Cypriot civil service and its modernisation, through management training, consultancy and applied research. Additionally, in 1996 the Academy was also assigned the role of undertaking activities on European Union issues, so as to enhance the Government's efforts to prepare the civil service to successfully face the challenge of joining the EU in 2004. The training received by civil servants focused on practical training programmes in the broad area of management for civil servants from the lower middle to the top levels, as recommended by the experts. It would also engage in consultancy work and applied research that was mainly focused on management development and the modernisation of the public service (CAPA, 2009). In many countries, professional organisations use management training techniques to train civil servants in order to improve their effectiveness, their efficiency, and the modernisation of the public sector. In order to successfully adapt a set of reforms to a globally applicable context, each feature of a given plan for reform must be deconstructed, stripped from its context, and presented in a globally applicable format with "unlimited reach." In this way it will maintain the necessary flexibility and lack of restrictions so that it may be implemented in countries regardless of the historical, political and cultural context. From such a viewpoint, it will be possible for isomorphic features, in the form of structural similarity, to emerge, as the actual institutional conditions will have been adapted to such a degree as to exert the necessary pressure for reform to occur. (Christensen and Laegreid 2003:6 in Dollery & Lee 2004:3).

### **3.5 Analysis of NPM in Cyprus**

The following section discusses the applicability of NPM practices in Cyprus. The purpose of this discussion is to explore the potential usefulness of NPM in Cyprus and to illustrate some arguments as to the introduction and adoption of NPM practices in the Cypriot public sector. The elements of NPM will be discussed along with some other points that are not NPM elements but are critical issues specifically related to the reforms in the Cypriot public sector, such as the de-politicisation of higher civil servants, and the significant features of political patronage and

clientelism and corruption. The first part of this section will focus on the relevant elements of NPM as applied to Cypriot public sector reforms (Public sector decentralisation and downsizing of government (flatter hierarchies), private-sector-style management practices / contracting out – separating purchaser and provider, performance management - more measurement and quantification, cost-cutting, efficiency and “doing more with less”, ICTs in Public service delivery and emphasis on service quality).

### **3.5.1 Public sector decentralization and downsizing of government**

Decentralisation of managerial authority and providing flexibility to managers with the concept of ‘letting the managers manage,’ which according to Hood refers to “hands on management” and “freedom to manage”, is a very important element for NPM reforms in the Cypriot public sector (Hood 1991:4 in Yamamoto 2003:4). Moreover, Hood suggests that “visible top managers should control public organisations more actively by wielding discretionary power and the emphasis will move away from policy skills and personnel management rules towards active management, and away from relatively anonymous bureaucrats to visible managers at the top of public sector organisations” (Hood 1991:4 in Yamamoto 2003:4). Consequently, its purpose is to reduce the role of central departments and to increase the power and authority of those at the lower levels, who are directly involved in delivering services. In addition, this process aims to improve proper management and operational efficiency at lower levels. Many Anglo-Saxon countries have adopted elements such as freedom in operational decision in using financial and human resources, decentralisation of the departments of management and the devolution of authority to lower levels.

The Cypriot administrative system is traditionally centralised. After the independence of the island, six municipal authorities were founded and later, following the Turkish invasion and the migration of people from the northern part of the island, there was a fundamental need for more municipalities. There are now 33 Town Halls and 576 Community Councils. Local administrations do not have organisational and financial autonomy as their administration falls under the Interior

Ministry, and its resources come from the central government. Administrative organisation is organised by the Ministries, which are themselves organised by Departments and Sectors, and each department has its own rigidly hierarchical organisational structure. These reforms were legitimised in terms of increasing the efficiency and effectiveness of local government.

However, the processes for transformation and change from the centre of bureaucratic power, to a centre responsible for policy planning and services, are still unclear. As many authors have argued, decentralisation of authority is regarded as a threat leading to the loss of power over bureaucratic dominions by high-ranking bureaucrats, as the bureaucracy is governed by ‘command and control’ and decision-making is mostly centralised, thus providing opportunities for corruption (McCourt, 1998b).

One of the main problems of the Cypriot public administration is the disproportionate number of civil servants in relation to the quality of services they provide to citizens. Since the island's independence, the public sector has been growing steadily, as every newly elected government offers their voters jobs in the public sector in order to secure more votes. Therefore, recruitment to the civil service and promotion in the civil service hierarchy were based on criteria of clientelism and patronage. Consequently, any reform of the public administration involving the downsizing of the civil service may have electoral disadvantages for the particular party that will proceed with this reform. Moreover, downsizing is not an easy procedure, as whatever the political cost, a social cost is inevitable. Therefore, the Cypriot public sector has to consider the social and economic benefits of the decentralisation and downsizing of the public sector.

### **3.5.2 Private-sector-style management practices /Contracting out – Separating purchaser and provider**

As has been noted by Fairbrother and colleagues (2012:30), NPM implementation involves “an increased emphasis on introducing management techniques and practices from the private sector and on increasing management’s ability to hire and

fire and reward public service workers individually rather than through collective processes”.

Central to NPM, according to Pollitt and Bouckaert (2004:98 in Fairbrother et al. 2012:31) is the establishment of ‘a large role for private sector forms and techniques in the process of restructuring the public sector’. This features two main characteristics; firstly a swift and broadly developed process of privatisation and adaptation to market standards; secondly a reduction of bureaucracy (Pollitt and Bouckaert 2004:187-9; Pollitt 2007:17 in Fairbrother et al. 2012:31).

In Cyprus, though contracting is not entirely new to the public sector, in recent years there have been considerable efforts to extend the scope of its application to a wider range of public organisations and activities than before. Piecemeal efforts have been made as a process of contracting out and outsourcing public services between the public sector and private contractors in order to encourage efficiency, cost-savings and flexibility in the provision of services. Contracting out has been used particularly by the land department in Cyprus, as the last decade was a booming period for properties and recruitment from the private sector has been preferred for quick and cost-effective results. The land department and related departments in Cyprus buy services from private contractors instead of providing them in-house, as these services are cost-effective and the public sector lacks the capacity to undertake specific activities. Therefore, the government performs as a customer, evaluating services, deciding whether they meet the stated standards, and determining whether to subcontract an operation to the private sector. In particular, the World Bank notes that when the government transfers the management of an operation to the private sector, this arrangement increases the management autonomy and reduces the interference of politicians in the daily operations of the public sector (World Bank 1994 in Larbi 1999). Contracting out and outsourcing sometimes are seen as instruments to minimise corruption in cases where a certain government service is to be contracted out, and as a consequence endangers the further existence of a department or personal career ambitions (Von Maravic, 2007:130). Moreover, because of the sub-contracting process, and as the government in Cyprus buys services from private contractors, the government has the opportunity to choose the



best and the most cost-effective tender among a number of different competitors. This practice of vendor sub-contracting allows the government to exert control over departments regarding the use of financial resources for services provided by the private sector, reducing the risk of corruption and fraud.

At the same time, outsourcing and contracting out can provide more opportunities for corruption and fraud. Meny notes that “sectors where corruption flourishes are [those] where the government and private firms have a commercial contractual relationship” (Meny 2000:205 in Von Maravic 2007:130). Therefore, these practices open the door to corruption, fraud and inefficiency, encouraging the evasion of public service rules and regulations, distrust of government, and inattention to the results of government programmes. The possibility of corruption in the Cypriot public sector refers to the relationship between the financier (the politician) and the purchaser (the bureaucrat). On the one hand, politicians can influence the public administration to determine the value of the service being contracted out, or sometimes supply information on competitors in order to influence the decision-making process. On the other hand, corruption also exists in the administration of the public sector, as the purchaser and the private contractor are the service providers. In particular, this happens when the private sector bribes administrators in order to undercut its competitors. Furthermore, widespread political patronage, clientelism and corruption, as the main features of the Cypriot government, undermine the successful diffusion of contracting-out practices. In such situations, contracting out can be cost-inefficient and wasteful, if there is no political will to mitigate the difficulties. Whereas, NPM ideas for contracting-out are very effective in curbing corruption; when an organization is over-politicised, corrupt political patronage increases (Turner & Hulme 1997; Hughes 1998; Haque 2001a 2001b in Sarker 2006).

### **3.5.3 Performance management**

Another element of NPM and certainly a new challenge for the Cypriot public administration has involved the establishment of “explicit standards and measures of performance through clarification of goals, targets, and indicators of success” (Hood

1991:4-5 in Yamamoto 2003:4). The establishment of a strategic vision, objectives, strategies, performance measures and indicators and reporting systems in response to changing environmental conditions, institutional resources and individual values, certainly marks new progress in the introduction of performance management in the public sector, now in progress in Cyprus.

### **3.5.4 Cost-cutting, efficiency and “doing more with less”**

Cost cutting, and doing more with less is a very important element of reform for the Cypriot public administration. Its relationship to the aforementioned elements of decentralisation and downsizing of the public sector, the current tight fiscal crises and the pressures from the EU for tighter budgetary allocations have led Cyprus to adopt reform measures. The main objective of downsizing is cost savings and increased efficiency in the public sector (Wescott, 1999). As Rama (1997) has noted, downsizing reduces government costs, and economic efficiency increases only when managed thoughtfully. According to Pollitt and Bouckaert “financial management reform has centred on the restructuring and reorganisation of budgets, resulting from pressures to restrict public expenditure and to improve performance” (Pollitt and Bouckaert 2004:67 in Fairbrother et al. 2012:35). Continual efforts have been made in order to establish a bilateral, interactive connection between the processes of measurement and allocation, a challenging procedure on both political and practical levels (Pollitt, 2001). It is thought that citizen demands for a higher standard of public services is the main motivational force behind efforts made by governments to improve efficiency, productivity, and make the public sector more cost-effective, particularly against a background of fiscal tightness (Aucoin 1995:9-10 in Fairbrother et al. 2012:32). Managerialism was the main solution introduced to recast administrative organisation and to separate political interests from the civil service itself. Different types of 'active management' have been introduced for this purpose (Pollitt 1993:1-10; Pollitt and Bouckaert 2004 in Fairbrother et al. 2012:32).

### **3.5.5 Emphasis on service quality**

Service quality and customer responsiveness is an important issue for the government of Cyprus to adopt reforms in relation with NPM practices. In applying TQM, the organisation should focus on what the citizens want, not what administration thinks they need (Ferlie et al. 1996 in Fairbrother et al. 2012). To improve efficiency, productivity and integrity in the public service, efforts should be primarily focused on creating a culture of commitment to identifying and meeting customer requirements throughout organisations and within available resources. It follows that serving the customer is more important than serving the organisation.

Cyprus' accession to the EU and the pressures for better quality of services offered to the citizens is another element of NPM reforms. Citizens' service centres have been established and operate to meet this need.

## **3.6 Factors other than the elements of NPM**

### **3.6.1 Clientelism, Patronage**

The classical definition of clientelism is “unequal, hierarchical, personalised and reciprocal exchange of favours between two individuals, a patron and a client”. The modern definition of ‘political mass party’ clientelism is “organised political party use of state resources to win the client’s electoral support” (Heywood 1997; Piattoni 2001 in Kickert 2011:812). Political clientelism and patronage is a classical characteristic of the political systems in Southern Europe, and Cyprus is not exempt. Political parties in Cyprus offer packages of policies that are justified as being in the public interest. Thus, votes are exchanged for support for a party programme and mainly involve administrative decisions (Kickert, 2011). Thus, it can be said that “the profound politicisation of southern European public administrations is not a momentary aberration of contemporary politicians, but an almost two centuries long tradition of particular political systems in their particular social, economical and cultural contexts” (Sotiropoulos 2006 in Kickert 2011:812). Such a historic

institutionalised phenomenon cannot simply be abolished by administrative modernisation.

### **3.7 Conclusions**

This short history of modern public administration, the influence of Cyprus' colonial legacy, and the other historical legacies that have led to centralised bureaucracy are the main characteristics of the public sector in Cyprus. These characteristics have influenced the administrative, social, cultural, political and economic life of the Cypriot people. Due to the political, socio-economic, and cultural context, the Cypriot public administration has lagged in the adoption of the various administrative reforms. Moreover, the centralisation of the administrative system of the public sector, clientelism and political patronage are some of the basic features of the Cypriot public sector and can be regarded as constraining factors for the adoption and development of administrative reforms in the public sector of Cyprus.

Cyprus has faced major difficulties in overcoming the bureaucratic features of the public sector and the cultural features of political patronage and clientelism. These constraining factors were significant for the applicability of NPM reform practices to the Cypriot public sector. On the other hand, Europeanization pressures have triggered changes in public administration reform in Cyprus as reform measures are important, necessary and motivational for the development of the country. The pressures of modernisation have forced many commentators to follow convergence towards NPM. On the other hand, there are some problems caused by the notion of 'global pressures' of convergence towards the NPM as there is an extensive diversity, variety and historical continuity in national reform trajectories. Moreover, global pressures do not influence all governments in the same way since some are more vulnerable to specific kinds of pressures than others. Nonetheless, despite their national differences and cultural, socio-economical, or historical legacies, many countries invoke convergence. However, the constraining bureaucratic features and the cultural features of political patronage and clientelism of the Cypriot public sector are not necessarily considered to be negative issues for the adoption of NPM reforms and practices, as contextual factors are not usually specified in the NPM

model, despite their crucial importance. Then, the applicability of NPM in Cyprus has been discussed.

Chapters Two and Three discussed the issues of NPM generally, and NPM implementation in Cyprus. The next chapter presents the research design and methodology used in this study.

## **CHAPTER IV**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **4.1 Introduction**

The previous chapter reviewed the theoretical framework of and the literature relevant to the New Public Management (NPM), as well as management practices from the private sector and their impact on current management practices and organisational structuring in the Cypriot public sector, which form the primary research question of this study. The aim of this chapter is to outline the methodology used to collect and analyse the data relevant to the logical questions established in this study. This chapter outlines the research design, literature and methodology used to collect and analyze data in order to put the methodology into the context of the issues surrounding the exploration of the question. The question endeavours to identify what effects the introduction of management practices from the private sector and New Public Management are having on current management practices in the Cypriot public sector and how these ideas have been embraced by the government officials, politicians and unionists. It is an ideal time for such a study, as the current economic crises are spurring the public administration of Cyprus to implement and introduce reforms related to NPM models, since the financial crises experienced in Cyprus has resulted in the Troika (EC, ECB, IMF) instructing the government of Cyprus to make amendments in order to control public expenditure, to adopt measures that include reductions in the government sector, to introduce management reforms in order to restructure the public sector, and stimulate employment growth. Moreover, the economic / fiscal pressures from the Troika on the government of Cyprus have been a major driver for restructuring the public sector and reshaping the role of government.

It explains the literature search with the main research methods used in this study. A qualitative research approach was adopted in the present study, as this method permits the researcher to examine the issues of the study in greater depth and detail. The aim of this study is not to impose views upon the participants, but to attempt to

understand the participants' attitudes and experiences, to discuss their perspectives as to how they perceive NPM practices in the public sector, and to relate them to the interpretivist paradigm. The exploratory and discovery-oriented nature (Ulin, Robinson & Tolley, 2004) of qualitative methodology is particularly well-suited to my research goals, as I will attempt to gain an in-depth understanding of how civil servants experience organisational change and their attitudes towards NPM. Moreover, this is in accordance with the procedure of qualitative research, which starts with a specific phenomenon and then moves to a more general level. Qualitative inquiry ends with complex and "rich" results (Mark, 1996).

Thematic Analysis (TA) was employed as the research method to collect and analyse the data. Then the study describes the sample have been selected. To address the aim of the present study, a rich and detailed set of data has been collected (Saunders, Lewis & Thornholl, 2009) in order to study the participants' experiences and attitudes. I have therefore used semi-structured interviews with open-ended questions to collect data. Details regarding the method of selecting the sample are provided. Ethical considerations are another important issue related to the measures adopted in this study. Factors related to the methodological rigor to ensure research quality are discussed. Details regarding the quality assurance during the study are presented. At the end, a conclusion of this chapter will be presented.

## **4.2 Research Methodology**

Methodology is the theory of how research should be carried out (Sanders et al., 2000). According to Sandra Harding, "we are defining method as a technique or way of proceeding in gathering evidence and methodology as the underlying theory and analysis of how research does or should proceed" (Harding 1987 in Kirsch & Sullivan 1992:2). Although there are different approaches to research and data collection, Saunders et al. (2000) assert that these can be viewed as a "research onion" with five layers: research philosophy, research approaches, research strategies, time horizon, and data collection methods.

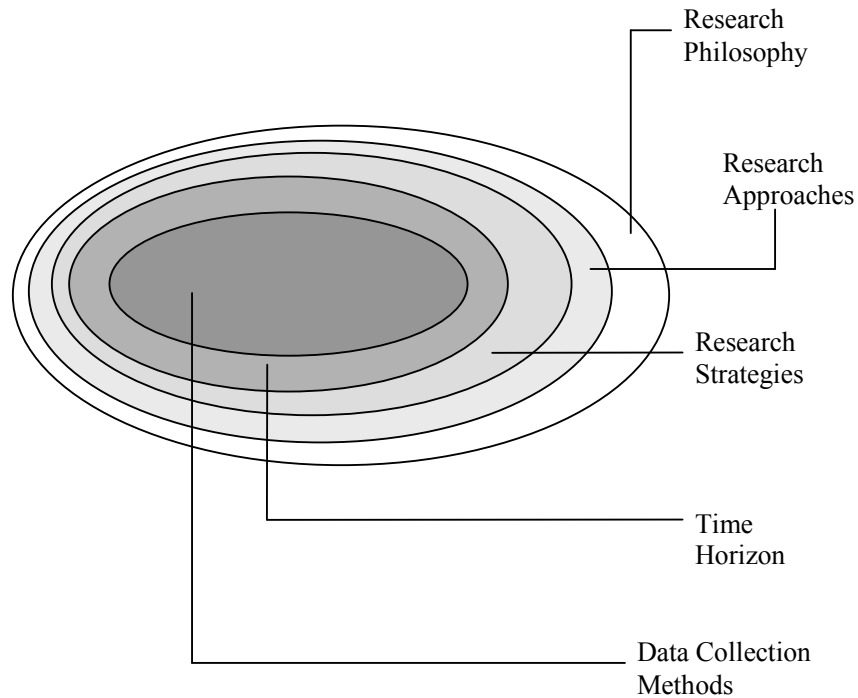


Figure 4.1: The Research Process Onion (Saunders et al., 2008:108).

#### 4.2.1 Research philosophy

Research philosophy concerns the way in which knowledge about a phenomenon is gained, analysed and used. Research methodologies rest on philosophical assumptions, whether these assumptions are explicitly acknowledged or not. Research philosophy therefore also concerns the nature of knowledge itself and the extent to which knowledge and understanding gained through research can be considered valid. Two major research philosophies are namely positivist or scientific (Bryman & Bell 2003), and interpretivist (Bryman & Bell 2003; Sanders et al. 2000).

Quantitative research draws on positivist epistemology, which refers to objectivity and measurable variables, whereas qualitative research relates to a more phenomenological and interpretivist paradigm (e.g., Maykut & Morehouse, 1994). Interpretivism refers to the notion that knowledge is judgement-dependent (Schwandt, 1994), and phenomenology is concerned with the subjective human experience (McLeod, 2001). Schwandt states that “interpretive research is



fundamentally concerned with meaning and it seeks to understand social members' definition of a situation" (1994:118). Interpretivists suggest that concepts and knowledge function as interpretations, and therefore no objective knowledge is available (Schwandt, 1994). Hermeneutics is concerned with "the theory and method of the interpretation of human action" (Bryman, 2004: 13); Denzin and Lincoln point out that it "is an approach to the analysis of texts that stresses how prior understanding and prejudices shape the interpretive process" (1994:15).

Another epistemological foundation of qualitative inquiry is phenomenology. McLeod states that "phenomenology seeks to set aside any assumptions about the object of inquiry and builds up a thorough and comprehensive description of the things itself" (2001:56). Phenomenology refuses the examination and the verification of the various cases and does not emphasise the systematic development of theories, focussing instead on human experiences, including people's actions, memories and sentiments (McLeod, 2001).

Quantitative research thus provides a "general" picture of a situation and produces results that are generalizable across contexts, although it neglects the reality of situations (Babbie, 2001:37; Smith 2003 in Sanderson 2001:216). Moreover, quantitative inquiry focuses on numbers and measurements, and uses statistical analysis (Bryman & Burgess, 1994). Qualitative methods, on the other hand, relate to humans and society, assess the reality of situations and provide the researcher with a deeper understanding of the behaviour and perceptions applicable to a particular environment and to particular assumptions (Lyons & Coyle, 2007). In addition, qualitative inquiry focuses on interpretation, characteristics, meanings and descriptions (Kvale, 1996).

The qualitative approach focuses on gathering a lot of detailed information from a small number of people rather than focusing on large number of people with a limited amount of information. This increases understanding of the cases and situations and yet reduces generalisability. In addition, a qualitative approach is not concerned with numbers (Creswell, 1994): data is not presented in a numerical form, and in general there is no claim for representativeness (Silverman, 2004).

Qualitative inquiry has an inductive research approach, as the narrowing and tapering of themes takes place after data collection (Neuman, 2000). In the process of collecting and analysing data, qualitative research stresses the importance of words, stories and feelings rather than statistical calculations and strives for a rounded understanding of society instead of testing hypotheses (Bryman, 2004). According to Bouma, this research methodology investigates “images, feelings, impressions and qualities” (2000:19). This data describes very important and difficult times in people’s lives. For this reason, data for this study was collected via semi-structured interviews, and was analyzed by interpreting the narrative reports in order to understand the phenomenon of how civil servants, politicians and unionists experience the changes to the Cypriot public sector and their attitudes towards New Public Management (NPM).

#### **4.2.2 Research approach**

There are two main types of research methods, namely the quantitative and the qualitative research. The former has been considered as not appropriate for the purpose of this study - it would be more appropriate if the data and results were based on statistics and applicable to a variety of situations. Quantitative research provides a “general” picture of a situation and produces results that are generalizable across contexts, although it sometimes neglects the reality of situations (Babbie 2001:37; Smith 2003 in Sanderson 2001:216). Moreover, quantitative inquiry focuses on numbers and measurements and uses statistical analysis (Bryman & Burgess, 1994). Qualitative methods, on the other hand, relate to humans and society, assess the reality of situations, and provide the researcher with a deeper understanding of the behaviour and perceptions applicable to a particular environment and to particular assumptions (Lyons & Coyle, 2007). In addition, qualitative inquiry focuses on interpretation, characteristics, meanings and descriptions (Kvale, 1996). It is important to note that the depth of this study allows the exploration of themes that would be unlikely to surface in a more quantitative questionnaire. The questionnaire of this research has been structured with the use of semi-structured interviews with open-ended questions.

Since qualitative research has been determined to be better applicable to this study, a number of specific types or epistemological foundations of qualitative inquiry has been taken into account. These include phenomenology, grounded theory, discourse analysis, ethnography and interpretative phenomenological analysis (IPA). These approaches have many characteristics in common, as their central purpose is to enrich our understanding of the phenomenon being studied (Elliot et al., 1999). For example, phenomenology is related to exploring the lived world of the participant or to provide us with ideas to understand how participants comprehend their lived experiences, while discourse analysis is concerned with linguistic resources that participants use during conversation.

IPA is an epistemological foundation of qualitative approach and was developed by Jonathan Smith with the aim of exploring idiographic subjective experiences, particularly social cognition. IPA focuses on how participants make sense of their experiences, understandings, perceptions and views (Smith, 2004) and focuses on understanding an individual's lived experience. IPA's theoretical underpinnings are rooted in phenomenology, which is concerned with individuals' perceptions of events. IPA is interpretative in order to make sense of the individual world(s) being studied. In addition, IPA is symbolic interactionism which considers that the meanings that an individual assigns to objects and experiences are of central concern but only available only through a process of interpretative activity (Denzin, 1995). Thus, IPA acknowledges that the researcher's engagement with the subject individual's experience has an interpretative component, in contrast to other methods such as discourse analysis (DA).

IPA develops an epistemological approach whereby, through a careful process of interpretative activity, the researcher is able to access the participant's cognitive personal world. According to Smith and Osborn (2003), the interpretative process requires the participant to interpret the phenomenon and his or her related cognitions and meanings through language while, at the same time, the investigator attempts to understand the participant's thoughts and experiences. Therefore, a major distinction between IPA and discourse analysis is that the latter examines the "role of language" in describing the participant's experience. Chapman and Smith state that discourse

analysis is “generally sceptical of the possibility of mapping verbal reports onto underlying cognitions and attempts, rather, to elucidate the interactive tasks being performed by verbal statements, how those tasks are accomplished and the linguistic resources drawn on” (2002:126). In contrast, IPA explores how participants assign meaning to the topic being researched. Discourse analysis is thus inappropriate for the present study, as the aim of this research is concerned with developing a deeper understanding of what civil servants, politicians and unionists think or believe about the phenomenon of reform in the Cypriot public sector and their approaches towards NPM.

Grounded theory (GT) (Smith et al., 2009) is the most popular alternative approach for someone considering IPA as a research method (Smith et al., 2009), offering researchers a clear, systematic and sequential means of qualitative analysis. Like IPA, Grounded theory is an inductive methodology (Smith et al., 2009). Moreover, Grounded theory is an inductive methodology which allows the researcher to develop a theoretical description of the generalised characteristics of the question, based on empirical observations and data (Smith et al., 2009).

TA is a conventional practice in qualitative research. Holloway and Todres (2003) stated that qualitative methodologies are extremely diverse, complex and nuanced, and TA should be seen as a first method for qualitative analysis. In addition they (2003:347) identify “thematizing meanings” as one of a few shared generic skills across qualitative analysis. Therefore, for this reason Boyatzis (1998) characterizes TA as a tool to be used across different methods and not as a specific method. Furthermore, Boyatzis (1998:10) stated that TA “illustrates the data in great detail and deals with diverse subjects via interpretations”.

Thematic analysis (TA), IPA and grounded theory are methodologically similar analytic frameworks which may support what the researcher aims to study, however, the way in which themes are epistemologically managed varies between them. All these approaches attempt to represent a view of reality working through texts, systematically. Thematic analysis does not extend as far as grounded theory, which generates hypotheses from data sets and concerns issues of discovery. Thematic

analysis and IPA are epistemologically similar because, in general, researchers respectively produce descriptions and interpretations of individual subjective experiences. The major difference occurs between their initial stages of coding since IPA uses multiple re-readings to make wide-ranging and unfocused notes, which are quite different to the open coding strategy of thematic analysis and grounded theory. Moreover, thematic analysis, IPA and grounded theory are ontologically similar because they treat language transparently by simply taking for granted the meanings expressed in the data's vocabulary. This radically contrasts with discourse analysis (DA) and conversational analysis (CA), which promote the constant deconstruction of accounts.

I have chosen to employ Thematic Analysis (TA) as the most appropriate research method for the present study as, apart from the aforementioned clarifications of its use compared to the other approaches, it also focuses on subjective experience in an attempt to understand the participants' attitudes and experiences. Moreover, TA combines the flexibility to deal with the complexities of civil servants', politicians' and unionists' experiences with a rigorous framework to assist both the researcher and reader in understanding the material of this study.

The present study is focused on subjective experience in its attempt to understand the participants' attitudes and experiences; because subjective experience does not lend itself to quantitative measurement, I therefore chose to employ a qualitative inquiry. This research paradigm uses interpretive and material practices in order to make the world observable in a way that focuses on the lived experiences of participants (Mertens, 2005). "Qualitative research involves the studied use and collection of a variety of empirical materials such as case studies, life stories and so on that describe routine and problematic moments and meanings in individuals' lives" (Denzin & Lincoln, 2000:3). That means that the qualitative approach is perceptive of and sensitive to the real environment in which participants live (Kvale, 1996). Qualitative research seeks to portray and understand how participants realize their lives through an exploration of their perspectives and their everyday realism (Hammell et al., 2000). This exploratory and descriptive nature of qualitative inquiry relies on the people's lived experiences, beliefs, value systems and the meanings with which they

make sense of their lives and experiences rather than measured facts or truths (Hammell et al., 2000). In this sense the exploratory and discovery-oriented nature (Ulin, Robinson, & Tolley, 2004) of qualitative methodology is best suited to my research goals, as I will attempt to gain an in-depth understanding of the ways that civil servants experience organisational change and of their attitudes towards New Public Management (NPM). The aim of this research study is to explore phenomena as experienced by civil servants, politicians and unionists; therefore, qualitative methodology is consistent with the aim of the study, which seeks a deeper understanding of the phenomenon of reform in the Cypriot public sector and the participants' approaches towards NPM. It is our argument that qualitative inquiry, which is a descriptive and interpretive approach, enables immersion in the public sector in a neutral way and therefore leads to new information. In doing so, qualitative inquiry provides greater potential to identify the truth and increase the scientific knowledge.

Moreover, my attempt to produce knowledge generated by the participants in accordance with the procedure of qualitative research is intended not only to secure an understanding of the decisions regarding NPM practices in the public sector of Cyprus, but also to assess the extent to which NPM ideas have been embraced by public sector policymakers and senior managers, politicians and unionists, and to analyse the impact of this upon the NPM practices and the viability of NPM in Cyprus. The qualitative approach focuses on gathering a lot of detailed information from a small number of people rather than focusing on a large number of people with a limited amount of information. This increases understanding of the cases and situations and yet reduces generalizability. In addition, a qualitative approach is not concerned with numbers (Creswell, 1994), data is not presented in a numerical form, and in general there is no claim for representativeness (Silverman, 2004).

Qualitative inquiry has an inductive research approach, as the narrowing and tapering of themes takes place after data collection (Neuman, 2000). In the process of collecting and analysing data, qualitative research stresses the importance of words, stories and feelings rather than statistical calculations and strives for a rounded understanding of society instead of testing hypotheses (Bryman, 2004). According to

Bouma (2000:19), this research methodology investigates “images, feelings, impressions and qualities”. Data describes very important and difficult times in people’s lives. For this reason, data for this study was collected via semi-structured interviews, and was analyzed by interpreting the narrative reports in order to understand the phenomenon of how civil servants, politicians and unionists experience the changes to the Cypriot public sector and their attitudes towards NPM.

#### **4.2.3 Sample / participants**

Choosing the proper sample is a very important step for any study, as it is not efficient, practical or ethical to research whole populations (Marshall, 1996). In particular, using the right sample enables the researcher to use only that data from the population that is relevant to the research requirements and has a fundamental effect on the quality of the research (Saunders et al., 2009). Therefore, researchers focus on particular sampling techniques in order to fulfil their research requirements (Neuman, 2000).

There are two types of sampling techniques available for research. The first, probability, implicates random sampling; the second, non-probability, implicates non-random sampling. Random sampling is inappropriate for a qualitative study as it generalizes the results to the population, which is not the aim of a qualitative study as it does not effectively develop an understanding of complex issues related to human behaviour (Marshall, 1996). Hence, the aim of sampling for this research study is the collection of specific information in order to explore a phenomenon and to develop a deeper understanding of the personal experiences of the participants. This exploratory and descriptive nature of qualitative inquiry relies on the people’s lived experiences, beliefs, value systems and the meanings with which they make sense of their lives and experiences (Hammell et al., 2000). This means that the sample for this study will be selected purposively in order to deeply explore the participants’ experiences. Therefore, non-probability is an appropriate sampling for qualitative research.

The participants were selected on the basis that they can give us access to particular perspectives on the phenomenon we are going to study (Smith et al., 2009). Hence, these participants represent a perspective rather than a population. Drawing on interviews with key players at key positions the sample was selected purposively, according to job role. Therefore, this research project will concentrate on government bodies that engage in practices of modernising the infrastructure of the public sector by introducing and assessing the extent to which the ideas of NPM practices have been embraced from the key actors, as mentioned earlier. In order to address the aim of the research, I have been granted access to several Cyprus government departments (e.g. the VAT Office, the Public Administration and Personnel Department (PAPD), Cyprus Academy of Public Administration (CAPA)), and how they met the challenges of adopting the NPM practices introduced by the private sector and how they embrace the ideas of NPM.

For this particular study it proved useful to divide the sample so that the exploration of how the private sector and NPM influence current management practices in the public sector can be understood from the differing perspectives of policy elites from key government officers, politicians and unionists. These three groups of key actors were selected because I believe that they are reasonably homogeneous in terms of how they perceived the policy decision to introduce and adopt the models and managerial practices of the private sector into the Cypriot public sector. An additional factor to the selection of the three departments is my experience as a tax auditor in the VAT office for over a decade and my involvement in the civil servants' trade union that enhanced my interest in conducting the present study. Therefore, the chosen participants are key public officers from the upper hierarchy of the government departments of the VAT Office, the PAPD and the CAPA, with a long period of experience behind them. The sample was selected from civil servants who live in Nicosia, the capital of Cyprus. More specifically, the sample will include key actors from the government level (policy makers) and the departmental level (senior managers). Including individuals from these two organisational levels provides a comprehensive understanding of the changes attempted and the organisational structure of the public sector in Cyprus. Furthermore, by looking at the dissemination of business practices between the two levels, my aim is to identify the more



particular challenges employees face within their distinct organisational settings. The sample was selected from the upper hierarchy (key policy makers and senior managers at key positions) of the civil service, unionists and prominent political figures. Their actions, views, attitudes, decisions and opinions directly affect policy changes in the introduction of private sector models and managerial practices to the Cypriot public sector. I have chosen these three groups of participants because they are key policy and decision-makers which have a direct influence in both day-to-day operations and in the strategic aspects of planning the work of their departments over time and management policies or decisions as well. All the government officials had worked with Troika as head negotiators playing a significant role contributing to a process of getting ideas discussed and informing the debate regarding the restructuring and change of the public sector in Cyprus. The external influences include the participants from two of the three groups, the unionists and politicians which have an external impact regarding policy decisions on management practices on the Cypriot public sector. The views of the participants are concerned with their understandings of the research question in accordance with their perceptions and their personal work experiences from their point of view. Specifically, the first group of participants includes three key policy-makers and three senior managers; one works in the VAT Central Office in Nicosia, one works in the Ministry of Labour and before in the PAPD, two in the PAPD, and two in the CAPA. All they had close association with the members of Troika providing the government with useful information regarding the policy agenda. The second group represents the unionists PA.SY.D.Y., (Pancyprian Public Employees Trade Union). Unionists were selected as key policy actors with significant key role because they were engaged with civil servants and were involved in practices of modernising the infrastructure of the public sector over time. They have direct links with both politicians and the government and they had discussions with Troika's people regarding mainly the size and the wage bill of civil servants. The third group is comprised of two prominent political figures from Nicosia, both members of parliament, one from DIKO (Democratic Party) and the other one from DISY (Democratic Rally). The two members of parliament had also close links with Troika as they were involved in various committees discussing with Troika's people regarding reforms in the public sector of Cyprus. The first one is also the president of the finance committee of the House of Representatives and the son of former President of the Republic of Cyprus.

His role is very significant as the finance committee examines the budget as well as all issues relating to the Cypriot economy, specifically at this particularly significant and traumatic time for the Cyprus economy. His aim as the President of the finance committee focussed on solving the major economic and budgetary issues facing the economy of Cyprus with the contribution of Troika's agenda. Moreover, the political elites had discussions with think-tank groups on a regular basis because they provided them with some very good intellectual consideration and that was considerable helpful at the time.

The participants from the first group of government officials were selected because the VAT Office is a moderating department of the government where there is an increased interest in the major elements of NPM. Exploring the views and perceptions of the participants' experiences of this particular department is relevant to the research question. Participants from the PAPD were selected because this department has a direct link to the Cypriot government's modernisation of management procedures in the public sector, and therefore their views and understandings are of great importance to this study. The third category of participants from this group is people selected from the CAPA, a national professional institute which contributes to the improvement of the efficiency and effectiveness of the Cypriot public civil service and its modernisation through management training, consultancy and applied research. The views, attitudes experiences and opinions of these people are relevant to this study, as there is a trend of substantial "convergence" towards management practices modelled on those of the private sector, and according to Powell and DiMaggio (1991) this convergence arises from the idea of "normative isomorphism". The participants from the other two groups, political elites and unionists, have been selected because their views, perceptions and understandings are important to the aim of the research question, as their aspects are more strategic and politically oriented regarding the NPM practices into the Cypriot public sector. These enable us to understand how NPM practices are perceived and embraced by the Cypriot politicians and unionists.

Therefore, the three groups of key actors, viz. government officials, unionists and prominent politicians, were selected because they and the data collected from them

are the most related and closely linked to the adoption and implementation of NPM practices and management reforms from the private sector in the public sector of Cyprus. These particular data are relevant to the fundamental research question, that is, to explore the factors that have driven to the adoption of NPM reforms and the process of diffusion of NPM reforms in the Cypriot public sector; the data collected from the aforementioned groups aim to assist in developing a deeper understanding of the personal experiences of the participants, in terms of the main research question. The government officials (including policy makers), unionists and politicians are the major groups involved in the adoption and implementation of management practices and NPM, as well as to achieve an effective and efficient public service in the public sector of Cyprus. Although the developments outlined in this thesis have been implemented under the direction of the 'Troika', the contribution of the Troika representatives falls outside the scope of this study. Theirs is a higher-level involvement, not part of the detailed implementation process. Neither does the Troika have any direct relation with any opposition to the introduction and implementation of NPM practices. Troika representatives were therefore not interviewed for this thesis.

The participants' demographic information, along with other relevant information, is presented in Appendix II.

As described above, the sample I have selected includes nine individual interviewees. This is a rather small sample in terms of traditional generalizability; however, according to Choudhuri, Glauser and Peregoy (2004:444), "the purpose of qualitative research is not to produce generalizations" but to gain a deeper insight into the issues that are being studied. Moreover, there is agreement in the literature that sample size is not a crucial criterion for the selection and size of the sample. Rather, sample selection and size depends upon the purpose of the study and what rewards will be drawn from the study. According to Patton (1990), in qualitative research the validity, meaningfulness and insights generated have more to do with the information-richness of the sample selected and the analytical capabilities of the researcher rather than the number of the sample. A small number of participants allows for further in-depth analysis which a larger sample might inhibit (Smith et al.,

2009). Therefore, the issue is the quality of the data obtained and not the quantity. Smith et al., (2009:52) stated that “successful analysis requires time, reflection and dialogue, and larger datasets tend to inhibit all of these things”. The in-depth and more interpretative analysis allows the researcher to expand on original meanings, and Smith et al. prompted analysts to “go beyond” immediately obvious content. As such, the information-richness issue is crucial when deciding on the number of the sample rather than the size. Thus, a well-selected and analysed sample is useful in answering research questions: the number of the sample is not as important as the selection of the participants is.

### **4.3 Data collection and procedure**

#### **4.3.1 Data collection**

As noted above, TA is “a process for encoding qualitative information” (Boyatzis, 1998:4). Its aim is to explore the themes (patterns) that emerge from the analysis of the data in order to explore and interprets the phenomenon under study in an attempt to understand the participants’ attitudes and experiences. Moreover, TA combines the flexibility to deal with the complexities of civil servants’, politicians’ and unionists’ experiences with a rigorous framework to assist both the researcher and reader in understanding the material of this study. According to Boyatzis (1998:5) thematic analysis enables the researcher “to use a wide variety of types of information in a systematic manner that increases their accuracy or sensitivity in understanding and interpreting observations about people, events, situations, and organizations”. Researchers employ data collection methods such as collecting verbal data through interviews in gaining insight about the meaning(s) of the phenomenon of interest. The semi-structured interview with open-ended questions is a particularly useful tool for collecting detailed data on participants’ beliefs, attitudes and personal perceptions of a particular subject (Smith, 1995). The semi-structured interview provides greater flexibility to the researcher than other methods of data collection such as questionnaires, surveys and structured interviews, as it allows the researcher to follow the concerns of the interviewees, they are after all experts on their own experiences, and may present further topics or insights that might not otherwise have emerged.

Interviews allow participants to provide data or information that is significant to them - the data they provide is both an expression of their psychological world view. Furthermore, semi-structured interviews are a useful tool in researching complex, controversial and personal issues. While it is an advantage to have an interview schedule in semi-structured interviews, it is not necessary to follow it strictly. This format allows the interviewer to explore avenues or topics opened by the participant rather than keeping to the rigid structure of the questions, thereby eliciting more in-depth answers and focusing on points that are interesting and relevant to the participants.

Therefore, the technique that I will use to collect data for the current study is semi-structured interviews with open-ended questions. Kvale (1996) indicates that the interview is a research tool that can help collect data which gives privileged access to our basic experience of the lived world, and as May (2001:123) states, semi-structured interviews “are said to allow people to answer more on their own terms than the standardized interview permits, but still provide a greater structure for comparability over that of the focused interview”. Thus the semi-structured interview provides a more specific and easy to compare framework and I believe it is appropriate for the subject of this study. In addition, semi-structured interviews provide a certain degree of flexibility in order to explore issues that will emerge during the interview (Saunders et al., 2009). Therefore, a semi-structured interview is a relatively informal, relaxed discussion based around a predetermined topic. Semi-structured interviews will be used as a guide to generate possible issues of interest: participants will direct the interviews and will be free to discuss topics that they believe are important. As the research question in the current study concerns a crucial project of reforms of the government of Cyprus and the current economic crises are spurring the public administration to implement and introduce reforms related to NPM models, the use of the semi-structured interview allows for the collection of appropriate data. For the present study, I chose key stakeholders in the reform process as key policy-makers and senior managers at key positions, and other individuals beyond the employ of government such as prominent political figures and unionists.

Therefore, face-to-face semi-structured interviews have been employed to collect data for this study, rather than the use of structured questionnaires, to provide a better understanding of the situations. The interviews provide valuable insights into the values, attitudes and approaches of participants. This data-gathering technique offers greater opportunity to gain in-depth and insightful information from those being interviewed, providing researchers with an opportunity to investigate experiences, emotions, and feelings of respondents rather than more straight-forward factual matters (Punch, 1998). These enabled us to comprehend the extent to which the ideas of NPM was understood and embraced by the participants in the strategic view of planning and policy decisions. I carefully designed and planned the interview schedule in advance, and pre-tested the questionnaire before the actual interviews in order to see if there were any problems in terms of question wording or appropriateness. The questions were carefully designed in order to elicit each participant's ideas and views and to get in-depth information related to my research question. The list of questions used during the interviews is presented in Appendix I.

The participants were encouraged to give detailed accounts of what they experienced and how they understood those experiences, following up with prompts where appropriate. As soon as the participants started to talk I began to concentrate on the topic of the conversation and I used the schedule in a flexible manner. The schedule was a guide but it was not a rigid structure and often I abandoned the structure and I followed the concerns of the participants as I asked questions earlier than it appeared on the schedule because I followed what the participants had just said. Occasionally, participants as the experts on the topic liked to move away from the schedule and followed a course set by them. I listened attentively the participants and I probed spontaneously at certain points. Moreover, I allowed the participants to express their views on NPM reforms in a semi-structured approach had the potential not to limit respondents in terms of information they could provide to illuminate on the subject under investigation. In addition, participants were prompted to evaluate the constituent elements of NPM. This exposed some interesting contrasts between, for example, participants' views on the public sector wage bill and their views on specific initiatives to reduce this. Simultaneously, the control that semi-structured interviews imposed on the respondents ensured that they didn't provide unnecessary

information for the present study. I began each interview by focusing on developing a rapport with the interviewee and establishing a relaxed and comfortable climate. Smith et al. (2009:68) state that “as the interview progresses and the participant warms to the exercise and relaxes into it, there is likely to be a move from the descriptive to the affective, from the general to the specific, from the superficial to the disclosing”. In order to understand the participants’ meanings, I used open-ended questions which gave them the latitude to construct their answers. Smith et al. (2009:59) maintain that “questions should be prepared so that they are open and expansive; the participant should be encouraged to talk at length”. In many cases I did not stick to a rigid structure for the questions, choosing instead to follow the concerns of the interviewees, as they were the experts on their own experiences. I used the interview schedule flexibly, moving from general issues to more particular ones. Smith et al. (2009:65) state that “good research interviewing requires us to accept, and indeed relish, the fact that the course and content of an interview cannot be laid down in advance”. When I felt that all topics had been discussed, I asked each participant whether he had anything else to add, and explained that I would send them the results once the research was completed.

#### **4.3.2 Data procedure**

Participants were government officials such as policy-makers and senior managers, unionists and politicians; I arranged each interview in cooperation with the director of the VAT Office Mr Konstantinos Nikolaides and through my personal contacts. Before each interview, I contacted the participants directly or through a personal secretary to explain the goal of the interview and how I intended to use the data I gathered. Furthermore, I explained to them that I chose them to be interviewed because of their expert knowledge of the research topic. I also gave each participant a copy of the proposed schedule of the questions a few days before the interview, informed them of the measures taken to protect confidentiality, and obtained permission to record each session. Each interview was conducted in the participants’ respective places of work and lasted approximately 60–90 minutes. Introductions were made, and I asked each participant, again, whether they were happy to have the interview recorded. The tape recorder used to record the interviews was an Olympus

VN-8500PC. The participants were then interviewed using the semi-structured interview schedule (Appendix I). Participants were thanked for their involvement and asked whether they wanted to add or discuss anything. The participants were informed that they would receive a copy of the research, once it was written up. The recordings were kept in a locked drawer in my office to maintain data protection; full written transcripts were created from each tape with as much accuracy as possible.

#### **4.4 Ethical considerations**

According to Saunders et al. (2009), the ethical framework in research refers to the appropriateness of researchers' behaviour in relation to the rights of the participants or those who are affected by the research. As Bryman (2001) and Bell (1999) maintain, ethical considerations are an important part of any research project, and personal information should be handled with the utmost seriousness. The methodological soundness of any study is greatly dependent on its ethical considerations and how these are applied (Saunders et al., 2009).

Bell (1999) argues that researchers need consider the implications of their research-related practices, which could be potentially harmful to participants. The ethical considerations that need to be addressed in my study share some common ground with other social science studies; thus I intend to follow the "Research Ethics Framework" set forth by the Economic and Social Research Council (ESRC) (2003) URL ([www.esrc.co.uk](http://www.esrc.co.uk)). The framework includes the following principles:

- obtaining informed consent, through which access is made possible;
- the confidentiality and anonymity of the collected data;
- clear voluntary participation by the interviewees, free from any coercion;
- securing the avoidance of any form of harm to research participants; and
- maintaining independence towards the participants' interests.

The first ethical-related challenge of my project concerns the process of gaining the consent of the participants prior to including them in the study (Bryman, 2001). In order to deal with the issue of deception (Bryman, 2004), it was necessary to fully inform the participants about my research aims and objectives, their role as



contributors to the study and how the data will be used. For this reason, I distributed a debriefing letter with specific information clarifying the issues described above, which allowed the participants to make an informed decision about their participation in the study. In addition to the ethical considerations that apply to other social science studies, the particular organisational culture and context of the public sector posed specific ethical challenges to my study. The ethical boundaries of anonymity and confidentiality are a very important parameter of the present study, as the participants are politicians and notable public figures in Nicosia. It is therefore crucial to ensure the participants' anonymity. According to Bryman, "the issue of harm to participants is further addressed in ethical codes by advocating care over maintaining the confidentiality of records" (2004:509). This means that is very important in research that the identities and records of participants to remain confidential. Therefore, the interviewees were informed in their debriefing letters about the anonymous character of the study and that their names and any other information that could potentially reveal their identities will not be included in any part of the research. Moreover, the recordings of the interviews will be deleted after the completion of the research and the signed debriefing letters will not be shared with anyone else.

Additionally, because of the nature of the present project, the interviews might contain sensitive information regarding financial investments and the identities of the individuals responsible for managing them. Such information could threaten the credibility or position of these individuals if it was made public. For this reason it is ethically responsible that the confidentiality of all personal information disclosed during the interviews regarding specific names, amounts of money, identities of third parties, etc., is protected. In addition to the above, the participants were given the opportunity to omit or change any information included in the transcripts of the recorded interviews that they do not feel comfortable sharing. The issue of the clear voluntary participation is also addressed in the debriefing letter. The interviewees were informed about their right to participate voluntarily and that they had the right to withdraw from the study at any time, without explanation if they preferred not to give one (ESRC, 2003). My e-mail address was provided in case they wished to ask questions, express concerns or withdraw from the study.

I responded to the fourth challenge by clarifying, in the opening of my written and oral communications to the participants, that they have the right to refuse to answer any of my questions. I do not wish to put the participants in an uncomfortable position with my questions, and I made this clear. In addition, I provided the participants with the list of questions prior to the meeting, in order to help them to decide whether they wanted to take part in the research and to feel comfortable with the interview schedule.

I believe that the actions that I took in order to ensure the ethical soundness of my research addresses the fifth principle of the Research Ethics Framework, as the participants' interests are a central criterion of my study. Nevertheless, as Flick (2009) argues, the ethical framework of a study is an important component of its quality.

#### **4.5 Generalization and methodological rigour**

A major argument presented in the literature argues that generalizability is not the purpose of qualitative inquiry; however, Morse (1999a:5) states that “if qualitative research is considered not generalizable, then it is of little use, insignificant, and hardly worth doing”. In order to differentiate between the concepts of generalizability as applicable to each approach, Morse (1999a:5) compares the two inquiries. She states that “in both qualitative and quantitative studies, the goal is to modify theory and to transfer knowledge gained, but the means for determining this is different”. Because of the nature of the research design and data, quantitative research can easily be repeated, allowing the researcher to compare the results and to establish an image of social realities in different locations or during different periods of time (Bryman, 2004). This means that by examining different populations or the same population over time, we can investigate the generalization of the phenomenon under study. Also, because of the use of mathematics and statistics, quantitative research allows for reliable and trustworthy results to emerge (Kagan, 2007). It is then assumed that the findings from the sample are generalizable (Horsburgh, 2003). The possibility of generalization and reliability allows for quantitative research to be predictive.

In contrast, qualitative inquiry samples are purposively selected in order to provide information on the phenomenon under study. Therefore, generalizability in qualitative approach refers to the extent to which a theory is deployed in a study, how the knowledge gained can be exported to all identifiable scenarios in a larger population, and whether it is applicable to any similar research problem in comparable circumstances (Morse, 1999a). Similarly, Popay et al. (1998:348) maintain that “the aim is to make logical generalizations to a theoretical understanding of a similar class of phenomena rather than probabilistic generalizations to a population”. For this study, the number of the sample will be nine (9) individual interviews. This is a rather small sample as traditionally seen in terms of generalizability; however, according to Choudhuri et al. (2004:444), “the purpose of qualitative research is not to produce generalizations” but to gain a deeper insight into the issues being studied.

Some qualitative researchers have suggested that the terms “validity” and “reliability” have been developed for quantitative research purposes and do not fulfil the requirements of qualitative methodology (e.g. Horsburgh, 2003). In contrast, Morse (1999) points out that science is concerned with rigour and when we reject validity and reliability simultaneously we reject rigour and, without rigour, research is in danger and its contribution to knowledge will become worthless (Morse 1999 as cited in Tobin and Begley 2004). Therefore, Horsburgh (2003:312) maintains that these terms are inappropriate in the evaluation of qualitative research and “create the impression that qualitative research does not comprise an academically rigorous approach”. Horsburgh (2003) proposes the term “methodological rigour” instead. Fischer (2005) maintains that qualitative researchers use various strategies to ensure the methodological rigour of their study and to better understand the meanings that participants shared concerning the various phenomena in question. Two of the main rigorous criteria are reflexivity and triangulation (Kopala & Suzuki, 1999). For the purpose of the present study I will discuss reflexivity next.

### **4.5.1 Reflexivity**

Reflexivity is a strategy that researchers use to secure the methodological rigour within the qualitative inquiry. Kopala and Suzuki (1999:31) state that qualitative research has “an inherent concern with reflexivity”. Guba and Lincoln argue that with reflexivity the question of bias in qualitative research is transcended because the distance between the researcher and the research participant is dissolved. Reflexivity is the process of critically observing and reflecting on the self as researcher (Guba and Lincoln 1981 in Denzin & Lincoln 2003). It is a tool for communicating the subjective account of the researcher and, thus, of embracing subjectivity instead of producing biased studies. Spindler and Hammond (2006:36) maintain that reflexivity in qualitative research is used in order for “personal biases, views, and motivations” to be examined and “to develop self-awareness in interaction with others”. A reflexive account, according to Altheide and Johnson, makes the researcher a part of the setting, of the context and of the culture that he/she is trying to understand (Altheide and Johnson 1994 in Kopala & Suzuki 1999). Moreover, reflexivity is not a procedure that happens at one point; however, it represents a process that emerges through the whole research process (Guillemin & Gillam 2004 in Lietz & Zayas 2010).

### **4.6 Data Analysis and TA analysis**

The aim of this study is to explore and develop theories to understand the experiences and perceptions of the participants about how management practices from the private sector and NPM ideas influence current management practices of the Cypriot public sector, and how the participants have embraced the ideas of NPM in the public sector. In fact, Willig (2001) states that meanings are gained through continuous engagement between participant and analyst; furthermore, this approach involves the engagement of the researcher to the development of interpretation and the interviewees’ transcripts. In order to present a practical perspective, the researcher will describe the methods in relation to the study from our own research, which explore the assessment experiences of the participants. Therefore, this project includes the following steps of data analysis.

### **Step 1: Reading and re-reading familiarising myself with the data**

At the first step of the analysis, I began with listening to the audio-recording at once and then at this stage of the process I read the first written transcript repeatedly in order to familiarise myself with the depth and breadth of the content of data. This stage is time-consuming, frustrating and at times tedious, however, provides the bedrock for the rest of the analysis (Riessman, 1993). After I had an overall idea of the data I had collected, I started to make notes in a notebook describing the most powerful and striking issues in order to focus on those data. It is useful to note that this first stage is conducted to ensure that we focus our analysis on the participants. In order to begin the process of entering the participant's world, it is very important to actively engage with the data (Smith et al., 2009). Re-reading the data allows the development of the interview structure and also permits the researcher to understand how narratives can connect the sections of the interview together (Smith et al., 2009). Moreover, this repeated reading highlights the richer, more detailed sections, contradictions and paradoxes of the collected data and make the transcript go from general in the beginning to more specific towards the end of the interview.

### **Step 2: Initial coding**

Initial coding is the most detailed step of analysis and is time consuming. It is an exploratory step in which codes identify the feature of the data (semantic content which the participants used during the interview) that appear interesting to the analyst. Boyatzis (1998:63) refers to "the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon". At this initial level of analysis, I tried to write all the interesting codes within the transcript, coding manually the data by writing notes on the texts. Every time I read the transcript, new comments emerged. At this stage of the process some parts of the data were richer than others. I used one margin to write the original transcript with blue pen. In order to do the analysis better, I set out the transcript with a wide margin down the left-hand side to document the exploratory comments/notes using a red pen. I also left a margin to the right side of the document to set out the emergent themes with the use of a black pen. I found it useful to use the three

different colours of pens for the three different areas of the task. Moreover, I numbered the lines in order to help us to identify examples of different themes in the next step. The aim of this process is to produce detailed and comprehensive exploratory comments of data. At this stage I was concerned both with the process of engaging with the transcript, as well as, the final result.

### **Step 3: Developing emergent themes**

Step three begins after I have completed coding, ending with a long list of different codes that I have identified during the second phase of the analysis. This level of analysis was a challenging process as I focused the analysis at the broader level of themes, sorting the different codes into potential themes and collating all the relevant codes with the identified themes. Some initial codes go on to form main themes called super-ordinate themes, others may form sub-ordinate themes and others may be leftover. Further, you may have a set of codes that do not belong anywhere as they do not fit into the main or the sub-themes. However, I do not abandon anything at this stage as it is uncertain whether it will be useful later on. The emergent themes were noted in the right-hand side of the document with the use of a black pen. It is an important step for the analysis to turn exploratory comments into themes. Through this process I tried to produce short and concise themes of the most important comments and crucial points of the document.

### **Step 4: Looking for connections across emergent themes**

Until this point, I had listed a set of themes in a separate document in a new file on the computer. The next stage aimed to develop a chart to look for connections across the themes and how these fitted together in a meaningful way (Fade, 2004). In order to proceed with this task, I asked questions about a theme and when other themes answered the questions then the themes were clustered together. Once the entire process was completed, I found which themes clustered together and named them as subordinate themes and super-ordinate themes. A table was drawn up for those clusters of themes that were incorporated, and those that did not fit into the emergent stage were discarded. As soon as the table of themes was developed, I checked them

with the initial transcript to ensure they reflected the original words of the participants.

### **Step 5: Continuing the analysis reviewing themes**

We moved to the next participant's case and we repeated the process. I used themes that emerged from the first case in order to assist me with the analysis of the following transcripts. In addition, I used themes where they emerged from the initial transcript in order to identify themes in the other transcripts. This process was useful as it helped me identify themes where they were similar and emerging from the first transcript. During this process, I managed to highlight new and different themes in the other cases. Once I completed the analysis of all the transcripts I constructed a comprehensive 'table of themes'. Moreover, during this phase of reviewing themes I had the opportunity to identify potential new themes that has been missed in earlier coding stages. At this stage I categorised the themes according to their importance. At this point some of them were removed as their information was irrelevant to the topic being studied. At the end of this stage, I had a comprehensive idea of what the different themes comprised, how they fit together and what story they told in relation to the data.

### **Step 6: Defining and naming themes**

At this point, I defined and refined the themes, identifying the 'essence' of what each theme was about and then I determined what aspect of the data each theme captured. Moreover, I identified the 'story' each theme told and also I considered how it fit into the broader overall 'story' that I am writing, in relation to the research question in order to ensure that there was no overlap between themes. This was a very creative task as the figures answered a lot of inquiries as to which themes were the most powerful, or what were the connections across emergent themes and so on. This may lead to relabeling the themes. When working at a computer, I selected the relevant themes and cut and pasted them into a separate document. The outcome of this process can be presented in the form of a table of themes categorised into subordinate and super-ordinate themes.

## **Step 7: Writing up**

This is the last and most important stage as it moves the analysis from the final themes to the final step of write up, describing the meanings born in the participants' experiences. At this stage the translation of the themes into a narrative account was presented (Smith & Osborn, 2003). Moreover, themes are explained and illustrated as a result of the expansion of the analysis. I carefully distinguished between the words of the participants and my own interpretation. Once the data had been analysed, I summarised the results into a table of group themes. It is important to highlight that the process of integration produces a master list of themes that shows the quality of each respondent's perceptions of the most important issues of the phenomenon being studied (Fade, 2004).

Super-ordinate themes included in the final table are those that contain examples of sub-themes from every interview. Every super-ordinate theme was written up as a narrative account allowing the shared experiences of the respondents' to be described in depth. To approach this task I returned to the initial analytical notes describing the reasons for giving the particular names to the themes and I involved myself in a dialogue in order to get information that would enhance and strengthen the meaning of the respondents' words. I carefully distinguished between the respondents' words and my own interpretations. In addition, I tried to interpret the data with my own specific perspective on what is being explored.

The presentation of the findings is presented as the "results", which include the emergent thematic analysis, and the "discussion", which bind the analysis of the study to the extant literature. The findings of the project are presented in the next chapter.

## **4.7 Conclusions**

This chapter discussed the research methodology of this study and the research design was also described. Furthermore, qualitative and quantitative inquiries were discussed and provided Thematic Analyses (TA) as a research methodology to be



employed. The sample was selected in cooperation with the director of the VAT Office and a copy of the proposed schedule of the questions was submitted to them a few days before the interview. The sample of the participants was selected from the upper hierarchy (policy makers and senior managers) of the civil service, unionists and politicians. I have employed Thematic Analyses (TA) research methodology and used the semi-structured interviews technique for the data collection, with open-ended questions. Interviews were conducted and audio recorded. The participants were asked to express their views, attitudes, decisions, experiences and opinions of how management practices and NPM from the private sector can influence the Cypriot public sector and how they embrace the underlying ideas of NPM. The data were transcribed and analysed according to the outline procedure described. The trustworthiness of the study was secured as the researcher presented a clear description of the data collected, including a detailed description of the participant selection and the schedule of the questions being used for the interviews. According to the methods described in the present chapter, the quality of the research was ensured. Choudhuri et al. (2004:445) states that “validity in qualitative investigation is built on the foundation of this process of visibility and allows the reader to see the delineation between the participants’ experience and the authors’ experience. This separation of ‘voice’ is a subtle yet critical factor in establishing validity in qualitative inquiry”. In addition, ethical considerations adopted in this research were presented. Finally, an explicit description of the inductive approach used to analyse the data was discussed. The findings of the study are presented in the next chapter.

## **CHAPTER V**

### **RESULTS AND FINDINGS**

#### **5.1 Introduction**

Chapter Three considered some of the developments in public sector management and governance that have become considered orthodox over the past three decades. The NPM model, though varied in its implementation, is typically considered an example of 'best practice' that can, and should, guide public sector reform worldwide. The discussion has also considered the possibility that uptake of NPM-type innovations have not always been the result of entirely independent, rational policy development. On the contrary, convergence, or isomorphism, around ostensibly best practice may be the result of various pressures, be they external coercive ones, or internal ones arising from the normative status of the NPM model. This chapter considers both the origins and the consequences of 'reform' through an analysis of the interview data.

As is common in public sector restructuring, NPM-type change in Cyprus has rested on an implicit contrast with a 'traditional' model that is presented as inefficient, slow and self-serving (Mylonas, 2004). The word 'bureaucratic', used in its recent, pejorative sense, sums up this description. The interview data suggest that the view amongst politicians, civil servants and employees in Cyprus is rather more nuanced than this. There is a clear recognition of the merits of bureaucracy as professional, meritocratic and non-partisan, but also that such qualities are already compromised. The impetus for change is unambiguously external: the demands of the 'Troika' following Cyprus's financial crisis mean that privatisation and reduced expenditure on the public sector became conditions of continued funding and continued membership of the Euro. These same external, coercive pressures now exist elsewhere in Europe. However, the interview data suggests a degree of consensus about the need for reform that is, perhaps, surprising, and needs to be explained in terms of the existing dissatisfaction with the Cypriot model.

The themes highlighted in the present chapter provide significant answers to the research question. All the participants had experience of the public sector as they are policy makers and senior managers from the government level, unionists and politicians engaged in efforts to modernize the infrastructure of the Cypriot public sector at the time of the interviews and were able to relate those experiences. Every interview was unique and the participants used the opportunity to share their distinctive experiences.

## **5.2 Themes Derived from the Analysis**

Although the interviews contained some similar themes, they were also individual and detailed the participants' experiences of the introduction and implementation of NPM practices in the Cypriot public sector. Several ideas, which arose from many interviews, stem from the related experiences of all or nearly all the participants. These themes were not reported by all participants but occurred frequently during the narratives, and some emerged less often in the interviews, but were significant in their own right and are therefore mentioned. For the purpose of the present study, I have included only selected quotes from the narratives.

## **5.3 Definitional Issues**

### **5.3.1 Private Sector and Public Sector in Cyprus**

This theme aims to offer a snapshot of the character and the role of the Cypriot private sector, based on the interviewees' descriptions. It describes how the participants have experienced the role of the private sector in Cyprus, and which main characteristics describe how the private sector relates to the public sector. All the participants noted that the private sector is designed and structured in order to maximise profits.

*The public sector is there to serve society; the private sector has its own conditions within which it functions. The purpose of the private sector is its private interest.*

[Senior Manager 2]

In addition, the results address the participants' views regarding the main *characteristics* of the private sector in Cyprus. The participants reported that the private sector is known for its flexibility. An interpretation of the interviewees' comments concerning the relationship between the private and public sectors in Cyprus reveals that overall, the private sector ensures customer satisfaction, and is far more exposed to risk compared with the public sector. There is a clear acceptance of the view that the private sector is more flexible, and this acceptance is shared by politicians, civil servants and trade unionists:

*Certainly the private sector is faster, more flexible, it can make decisions more easily, and it can spend or not spend according to owners' or shareholders' decisions, in contrast with the civil service which follows rules...*

[Policy Maker 3]

*In the private sector, if the owner or the employer decides something, it can be implemented the next day if it falls within the purview of the decision.*

[Policy Maker 2]

Main focal points included the hard schedules and uncertain working conditions of the private sector in Cyprus, which stood in contrast to the better working conditions of the public sector. Despite these disadvantages with regard to employment conditions, the private sector is considered to be more flexible and faster, making decisions more easily than the public sector. Thus, a fairly straightforward interpretation of the interviewees' remarks indicate that there are significant differences between the public and private sectors in Cyprus, whereby the private sector works on its own terms and conditions in order to maximize profits.

### **5.3.2 NPM Issues**

The present theme aims to address the participants' experiences of the ways in which private sector practices can be introduced to, adopted by and implemented in the public sector of Cyprus based on the ideas of NPM elements. This theme illustrates

the participants' views regarding the important role that management reforms play in the Cypriot public administration, as external pressure for reform has recently increased due to the changeable environment and the current economic crisis; hence, the emergence of NPM practices has become significant. On the one hand, there are disagreements among participants regarding the adoption of management practices including but not limited on the size and the wage bill of the public sector. These disagreements have been marginalised because of Troika's involvement and there is no possibility of arguing against change because it is a condition of continued economic sustainability. The structural adjustment programmes that were imposed by the Troika as a pre-condition for Cyprus receiving funds, thus forced the public administration not only to adopt market policies but also to develop and improve the public sector based on NPM-style practices. These underlying agreements amongst policy-makers, civil service managers, politicians and trade unionists alike on the need for changes in the public sector of Cyprus are because they recognise that 'modernisation' is highly desirable. Pressure exerted by international donors played a crucial role in encouraging the government of Cyprus to adopt NPM practices. The government of Cyprus has faced much pressure to cut spending, which has forced the public administration to undertake rescue packages and to apply cutback measures. The current programme of reforms, have resulted from the Troika's coercive influence following the economic crisis, in order to meet the EU criteria on public debt and budget deficit and to prevent economic stagnation and to trigger economic growth. Five themes emerged and are discussed below.

### **1. Private-Sector-Style Management Practices / Contracting Out / Outsourcing**

The first subordinate theme aims to illustrate the participants' views regarding the introduction and implementation of management practices from the private sector. Within the participants' accounts there was a very powerful theme addressing the point that successful management practices and techniques from the private sector would improve the services offered to citizens and would contribute positively to the economy, as costs would be reduced and resources freed from the civil service.

Policy-makers, civil service managers and politicians alike expressed positive attitudes toward private-sector-style management practices, such as contracting out and outsourcing, and commented that these practices are valuable. However they recognise that the Cyprus government has made just piecemeal efforts to introduce such practices to improve efficiency, cut costs and increase flexibility in the provision of services. In addition, they also indicated that the public sector could benefit from the selective implementation of practices that have been successful in the private sector, and their views are illustrated below with the words of one of them:

*Useful practices that have been successful in the private sector should be examined with the intention of adopting their positive elements, integrating and implementing them in the public sector.*

[Politician 1]

In addition, some of the participants supported the view that outsourcing certain projects could improve public services and be cost-effective. They reported that outsourced projects tend to use fewer human resources and are completed more quickly and economically. One policy maker provided examples of such cases:

*Outsourcing practices have been adopted by various services in the public sector. Bids are invited from the private sector for various services, mainly for public utilities and various other large projects, such as roads and airports.*

[Policy Maker 1]

In contrast, policy-makers and civil service managers claimed that the government of Cyprus has made only sporadic attempts to implement outsourcing and contracting out practices. In supporting the idea of outsourcing, they expressed frustration that the government and politicians were not inclined to assist certain projects from the private sector to introduce them to the public sector. They have been supporting the idea that contracting out contributes financially to the government since it economises on the expenditure that would otherwise be an inevitable result of inefficient public bureaucracies that tend to work in favour of producers rather than

the consumers. They also recognised that the traditional public administration of Cyprus was plagued by many problems. This has been regarded by the policy-makers and civil servant managers who have argued that the bureaucratic model of Cyprus, with centralised decision-making processes, is a barrier for progress and remains a hindrance in attempts to implement reforms such as the management practices from the private sector of contracting out and outsourcing. External pressures on the public administration of Cyprus to introduce NPM-style reforms that will implement outsourcing and contracting out is a challenge that influences the policy agenda. On the other hand, the shift from bureaucratic systems to business administration drives them to make changes and 'modernise' their public administrations. They believed that such practices were valuable and could help the public sector:

*We didn't take advantage of that element to a great degree as a civil service. Up until a few years ago we didn't even know about outsourcing or contracting out. It would certainly help.*

[Policy Maker 3]

There is a clear acceptance of the notion that the Cyprus government has made no effort to introduce successful management practices from the private sector to improve efficiency, cut costs and increase flexibility in the provision of services. A few of the public officers interviewed support this view, and they commented that the government and politicians do not encourage innovation and that they are responsible for the current state of the public sector. They further discussed that the present financial crisis is the only way to enable the government and politicians to introduce changes. External pressures have been exerted from 'troika', and are being used as a driver to introduce reforms.

Participants use NPM terminology, and they enthusiastically discussed free-market solutions, similar to the case of other countries. An interpretation of the effect of implementing good practices from the private sector would be valuable to various public sector departments as public services would be improved, costs would be reduced, fewer human resources would be necessary, and projects could be completed more economically, faster, and more effectively. Although some participants indicated that these private sector practices would be important and valuable for a more efficient and effective public sector, some others expressed fear

and concern that these solutions may provide more opportunities for corruption and fraud. They stressed that such practices must not be counter-productive in terms of the main purpose of the public sector, which is to serve society and not to satisfy its own interests as an administration, a system or as employees. There is a difference of opinion among the participants in their views on the introduction and implementation of management practices from the private sector. However, these disagreements among unionists, politicians and civil servants have been marginalized because of the involvement of the Troika. There is a clear recognition of the desirability of ‘modernisation’ amongst the participants. The external pressures from various actors to influence the policy agenda, such as from the Troika after Cyprus entered into the bailout agreement, have enabled the government of Cyprus to finally introduce management practices and structural adjustment programmes in order to develop and improve the public sector based on NPM-style practices. The idea that the financial crisis is used as an opportunity to impose models and management practices on countries that are having difficulties is gaining ground. In the case of Cyprus should be seen as an opportunity that will oblige Cyprus to establish and implement reforms appropriate for the needs of its public sector.

## **2. Public-Sector Decentralisation and Downsizing the Government**

The second subordinate theme addresses participants’ accounts and experiences of decentralisation and downsizing of the public sector in Cyprus. The size of the public sector was controversial as participants either commented on difficulties faced with regard to the large size of the Cypriot public sector or suggested that a reduction in the number of public employees would negatively affect the civil service and society. Half the interviewees expressed anger and frustration towards this issue, explaining that every newly elected government offered voters coveted positions in the public sector in order to secure more votes, thereby resulting in an inflated public sector. Public officers claimed that it is a myth that the Cypriot public sector is oversized, and they felt that any possible reduction in the number of civil servants will negatively affect the service offered to the public. However, politicians said that the public sector is huge and expensive and a reduction in the number of employees is needed.



On the other hand, public officers accepted that politicians negatively impact the employment process, and they expressed their frustration with politicians' interventions in the recruitment procedure, as they do not favour the most capable civil servants, nor do they promote meritocracy. Moreover, they noted that over-politicisation of the public administration has a negative effect on employee recruitment as, for example, it may lead to hiring individuals who are not professionally suited to the specific post.

*[Politicians] should leave this process to the technocrats and not interfere in recruitment, promotion, and administration processes of the civil service.*

[Senior Manager 3]

Surprisingly, politicians acknowledge that they do interfere in recruitment and promotion processes because Cypriot culture includes political patronage and clientelism as key political features within its unique context. They also noted that, because of these cultural features, politicians were incapable of introducing reforms by themselves, although they agree with the idea of NPM-type management reforms. The critical juncture of the historical moments of the current economic crises are spurring the Cyprus government to introduce and implement reforms, and the idea of isomorphism, with the external, coercive pressures from 'troika', is being used as a driver to introduce changes. A financial aid mechanism was created and a Memorandum of Understanding was signed with Troika in June 2012. The agreement involved economic and financial reforms, specifically public services reforms. A coercive phase for Cypriot's Europeanization had just started. The Cypriot economy was among one of the other European countries that found itself under control by its European donors. This acceptance is shared by all the participants: politicians, civil servants and trade unionists.

Many of the participants reported concern over the size of the public sector and how this negatively impacted the implementation of NPM in the civil service:

*If we bear in mind that the political authorities could be responsible for the current situation in the civil service to a very great degree, because of the*

*huge increase in the number of civil servants, which is now an inhibiting factor for [...] the introduction of NPM into the civil service or any other changes we could introduce into the civil service.*

[Senior Manager 1]

Despite strong views about the large size of the public sector, interviewees were hesitant to encourage a reduction in the number of civil servants. Indeed, unionists suggested that employees in departments with a low work load could be moved to departments with a greater work load. In addition, a few other participants stressed that any personnel cuts should be conducted in a rational way that would not affect the service to the public and would reduce efficiency, citing public hospitals as an example that needed to be handled with care:

*Where there are departments in the public sector where you can economise on staff then do so. You can't say that I am collectively cutting 10% or 40% or that I'm reducing the civil service staff by 20%. In some places you may need to add more people.*

[Unionist 1]

On the other hand, one of the senior managers demonstrated a contrasting opinion about the size of the public sector, stating that Cyprus has the smallest civil service in Europe and supported this claim by citing statistics measured by Laborsta International Labour Office as shown in *Table 5.1*:

*In Cyprus there is a myth that we have an oversized state... We don't. We have one of the smallest states in Europe.*

[Senior Manager 2]

In contrast, some others emphasised their argument that the public sector is huge, commenting that:

**Table 5.1**

PERCENTAGE OF PUBLIC SECTOR EMPLOYEES ON TOTAL EMPLOYMENT FOR THE YEAR 2008				
Number	EU Countries	Public Sector Employees	Total Employment	%
1	CZECH REPUBLIC	1698.20	5002.00	33.95%
2	DENMARK	925.60	2827.40	32.74%
3	SWEDEN	1333.00	4593.00	29.02%
4	LATVIA	320.10	1124.10	28.48%
5	LITHUANIA	428.50	1520.00	28.19%
6	FINLAND	666.00	2553.00	26.09%
7	PORTUGAL	1281.00	5197.80	24.65%
8	ESTONIA	157.60	656.50	24.01%
9	SLOVENIA	236.40	990.00	23.88%
10	POLAND	3621.60	15800.00	22.92%
11	GREECE	1022.10	4582.50	22.30%
12	HUNGARY	822.30	3879.40	21.20%
13	SLOVAKIA	505.10	2433.80	20.75%
14	U.K.	5995.00	29475.00	20.34%
15	BELGIUM	821.00	4445.90	18.47%
16	ROMANIA	1723.40	9369.10	18.39%
17	BULGARIA	614.80	3360.70	18.29%
<b>18</b>	<b>CYPRUS</b>	<b>67.10</b>	<b>382.90</b>	<b>17.52%</b>
19	IRELAND	373.30	2108.50	17.70%
20	ITALY	3611.00	23405.00	15.43%
21	LUXEMBOURG	53.30	348.70	15.29%
22	GERMANY	5840.00	38734.00	15.08%
23	SPAIN	2958.60	20257.60	14.60%
24	NETHERLAND	1058.40	8457.00	12.52%
25	AUSTRIA	465.70	4090.00	11.39%

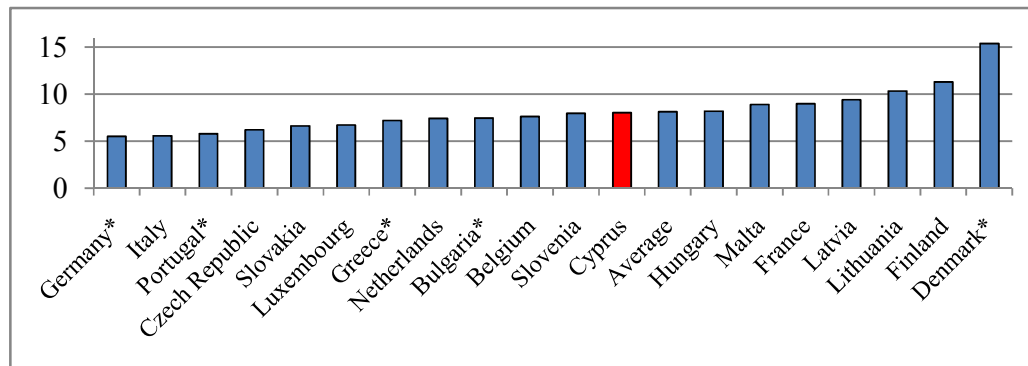
<http://laborsta.ilo.org/STP/guest>

*Unfortunately, at this point, our greatest problem is its size. We have a huge civil service, perhaps the most expensive one in the EU; it is a huge proportion of our population.*

[Politician 1]

An interpretation of the above statements shows how the different groups of interviewees vary in opinions. Politicians believe that the public sector is huge and expensive, while they acknowledge that every newly-elected government promotes ‘their people’ and offers public sector jobs and favours to people in order to satisfy them and secure more votes without paying any attention to what the government departments need. On the other hand, a few of the public officers and unionists pointed out that it is a myth that Cyprus has an oversized public sector, and they compared the size of the Cypriot public sector to that in other European countries. Their point of view can be backed up by Eurostat statistics which state the actual size of the civil service in Cyprus is not out of line with international benchmarks. Cyprus’s total general government employment (96% is civil service) stood at 8% of the population in 2012, just under the EU average (*Table 5.3*). Nevertheless, previous attempts to reduce civil service staffing and introduce practices influenced by ‘New Public Management’ (NPM) have been unsuccessful. And differing opinions about the size of the civil service have been more or less pushed to the sidelines by the dynamic change from Troikas’ involvement. Although unionists, politicians and public officers disagree on the size of the civil service, there is a degree of consensus that the public sector needs structural adjustments and reform. The impetus for the change has come from the Troika’s demands. This means that the current programme for reform is imposed on the government of Cyprus to introduce reforms in the public sector as conditions for receiving continued funding and remaining a member of the eurozone. Key among the measures is to continue to reduce the size of the public sector by freezing posts in various departments. Since 2011, the size of the government (civil service) employment has been decreased from 52,198 employees to 49,475 in 2013, as shown in *Table 5.4*.

**Table 5.3 Central Government Employment as a share of Total Population,  
2012**



\* 2011

Source: Eurostat: National Accounts by 64 branches - employment data

- Central Government (96% civil service, 4% non-profit organisations)

**Table 5.4 Employment in the Broad Public Sector and civil service, 1995-2013**

## EMPLOYMENT IN THE BROAD PUBLIC SECTOR, 1995-2013



SECTOR	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>GENERAL GOVERNMENT SECTOR</b>	<b>68.773</b>	<b>68.724</b>	<b>68.711</b>	<b>68.178</b>	<b>68.917</b>	<b>69.218</b>	<b>67.835</b>	<b>64.939</b>	<b>63.173</b>	<b>61.782</b>	<b>61.247</b>	<b>49.746</b>	<b>48.199</b>	<b>46.377</b>	<b>45.484</b>	<b>44.940</b>	<b>43.697</b>	<b>42.691</b>	<b>41.981</b>
Central Government	66.131	66.870	67.816	67.493	66.306	64.783	62.702	60.730	49.187	47.818	47.328	45.904	44.293	42.728	41.786	41.397	40.230	39.181	38.297
Government <sup>1</sup>	49.475	51.153	52.198	51.941	51.253	50.156	48.547	47.791	46.480	45.437	45.180	43.978	42.499	40.972	40.045	39.825	38.812	37.620	36.949
Non-Profit Organisations <sup>2</sup>	5.659	5.717	5.717	5.552	5.052	4.628	4.155	2.939	2.717	2.381	2.146	1.926	1.824	1.756	1.741	1.572	1.418	1.371	1.351
Local Authorities	4.842	4.864	4.798	4.877	4.812	4.438	4.333	4.209	3.976	3.974	3.921	3.841	3.897	3.649	3.618	3.543	3.487	3.408	3.384
Municipalities	3.502	3.714	3.516	3.397	3.332	3.165	3.083	2.972	2.635	2.844	2.621	2.751	2.727	2.590	2.581	2.534	2.482	2.436	2.419
Other Local Authorities	1.140	1.140	1.280	1.280	1.280	1.270	1.250	1.237	1.141	1.130	1.100	1.090	1.090	1.059	1.037	1.009	995	962	949
<b>PUBLICLY OWNED ENTERPRISES AND COMPANIES</b>	<b>8.114</b>	<b>8.545</b>	<b>8.842</b>	<b>9.359</b>	<b>9.266</b>	<b>9.171</b>	<b>9.114</b>	<b>10.003</b>	<b>10.281</b>	<b>10.110</b>	<b>10.040</b>	<b>9.890</b>	<b>9.794</b>	<b>9.742</b>	<b>9.813</b>	<b>9.478</b>	<b>9.464</b>	<b>9.664</b>	<b>9.462</b>
<b>TOTAL</b>	<b>67.887</b>	<b>70.269</b>	<b>71.553</b>	<b>71.529</b>	<b>70.183</b>	<b>68.389</b>	<b>66.149</b>	<b>64.942</b>	<b>63.454</b>	<b>61.902</b>	<b>61.287</b>	<b>59.635</b>	<b>57.894</b>	<b>56.119</b>	<b>55.217</b>	<b>54.418</b>	<b>53.161</b>	<b>52.255</b>	<b>51.123</b>

Notes:

- 1: Data for 2007 and the following years has been revised to include teachers serving as temporary replacements while data for the years 1995-2006 does not include them.
- 2: Data was revised to include for the first time Bank of Cyprus Oncology Center since 1998.
- 3: Cyprus Broadcasting Corporation, Cyprus News Agency, Cyprus Agricultural Payment Organization, Research Promotion Foundation, Cyprus Standards Organization and Cyprus Certification Company were moved from the category "Publicly Owned Enterprises and Companies" to "Non-Profit Organisations" since 2007.

(Last Update 14/03/2014)

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### 3. Performance Management

Like the previous subordinate themes aiming to describe the participants' views regarding the implementation of management practices in the public sector of Cyprus, the results of the present subordinate theme addresses the present performance management system in the public sector of Cyprus. All the participants shared similar experiences regarding the present employee performance appraisal system used by the public service in Cyprus. Particularly, they acknowledged that the way the public sector is assessed has a negative effect on employees, as "all employees" are evaluated as "excellent", and therefore were not motivated to improve their performance. They criticized the ineffectiveness of the system and simultaneously explained its shortcomings:

*When almost the entire public sector is assessed as being 'excellent', the only ones who are punished and done an injustice are 10-20% [of the workforce] as the system ranks the average worker or the less-than-average worker along with the outstanding ones.*

[Politician 2]

Furthermore, promotions are based on seniority only, rather than on performance evaluation, which could be jeopardized politically:

*Sadly, nowadays a system is in use that is unfair to the capable civil servants, favouring the average. Essentially everyone is evaluated as "excellent" and they simply proceed into higher posts within the hierarchy based on seniority....*

[Politician 1]

In addition, participants explicitly stated that the evaluation system is inappropriate and does not check whether and to what degree each employee has executed his or her tasks, and that there is no comparison between employees, concluding that the staff evaluation is done in a "ridiculous way." Their account of the system offered

further insight into how the mentality of Cypriot society and culture plays a role in public sector reforms, explaining that a manager, rather than evaluating his/her employees honestly and risking upsetting them, more often than not, opted to grade them positively in order to avoid getting having a conflict with his/her subordinates. Unionists observed that the appraisal system is not a good one, but on the other hand, questioned Cypriot society and culture in relation to the performance appraisal of employees:

*Do we have the [appropriate] culture [in which] to say that you won't get a salary increase this year, but the increase is dependent on your performance.*

[Unionist 1]

The preceding accounts can be interpreted as demonstrating the inappropriateness of the present performance management system in the Cypriot public sector, since it evaluates all public employees as ‘excellent’ and offers no true method for evaluation. A more effective assessment system, possibly modelled on those used in the private sector, needs to be established.

#### **4. Cost-Cutting—“Doing More with Less”**

The main objective of the present subordinate theme addresses the participants’ views regarding the implementation of NPM techniques of cost-effectiveness and the ability to “do more with less”. Participants referred to the current tight fiscal crisis and the pressures from Troika (made up by the EU, ECB, IMF) for tighter budgetary allocations, as presenting an opportunity that will necessarily lead Cyprus to adopt and implement public sector reforms that support competitiveness and sustainable and balanced growth. The participants, most of whom are government officials, acknowledged that it is time for change, although they stated that negative attitudes on the part of politicians discouraged implementing any new ideas. Within the participants’ accounts there was a very powerful theme addressing the fact that the government of Cyprus has to minimise its costs in order to survive. They acknowledge that the cost of public administration is a significant burden on the budget of Cyprus’ government; thus, ways to economise and to emphasise efficiency



and cost-effectiveness must be found. The above views were stated by the majority of the participants and below are responses from two of them:

*[...] the pressures coming from all around have contributed to a change in mentality in both individual employees and the civil service in general.*

[Policy Maker 3]

*[...], today we have to adopt even more draconian measures so that we can get back on a viable track. The greatest expenditure is the payroll.*

[Politician 1]

Although unionists' view of the current fiscal crisis was as overwhelmingly negative as that of other participants', their perspective was that reducing the wages of civil servants is not a solution to the financial crisis:

*I think that the idea that wages are to blame for the deficits is a myth..*

[Unionist 1]

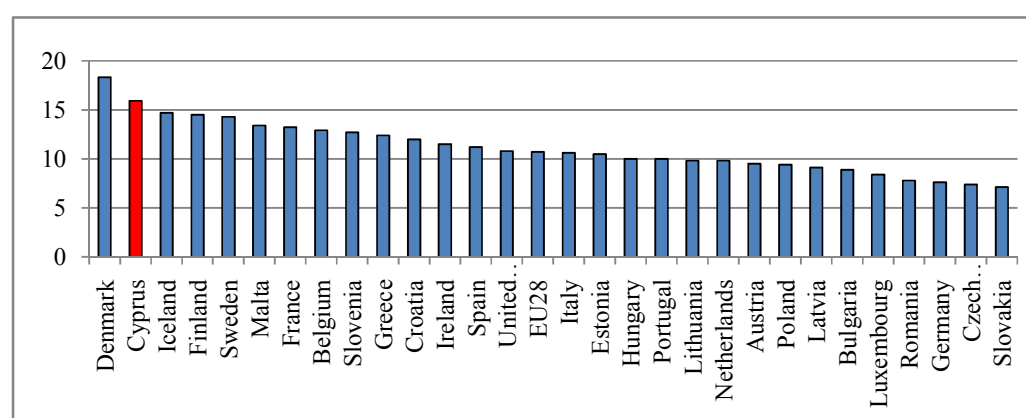
Unionists support the view that cutting public sector wages should not be the priority of the government for fiscal savings, as this would not reverse the widening fiscal deficits nor put public debt on downward path. IMF demonstrated a contrasting view regarding the wage bill of the public sector, stating that Cyprus has the 'largest public sector wage bill in eurozone' and needs to focus on expenditure reductions including containment of public sector wages (Financial Mirror, 2011).

There is controversy among the participants regarding the wage bill of the public sector in Cyprus. Politicians believe that the public sector is huge and expensive and the government needs to take immediate measures for fiscal savings and reduce the public sector wages. They argue that 'we need to economise in order to survive'. Contrary to politicians, unionists commented that civil servants' wages are not the reason for the deficits and the financial crisis. Indeed, civil servants asserted that reducing the wages will probably negatively affect efficiency.

An interpretation of the above points shows how unionists', politicians' and civil servants' opinions vary. A few accept that the wage bill of the civil service in Cyprus is high, and containment of the wages is needed, but some others believe that the drive for fiscal savings is a poor way to bring about lasting public sector reform. They also support the view that reform efforts need to aim at improving the services' effectiveness, efficiency, and responsiveness to citizens.

Eurostat statistics shows that the public sector wage bill in Cyprus is high compared to EU standards. *Table 5.2* shows that Cyprus has the highest general government

**Table 5.2 Central Government Wage Bill, 2012 (% of GDP)**



Source: Eurostat Government Finance Statistics.

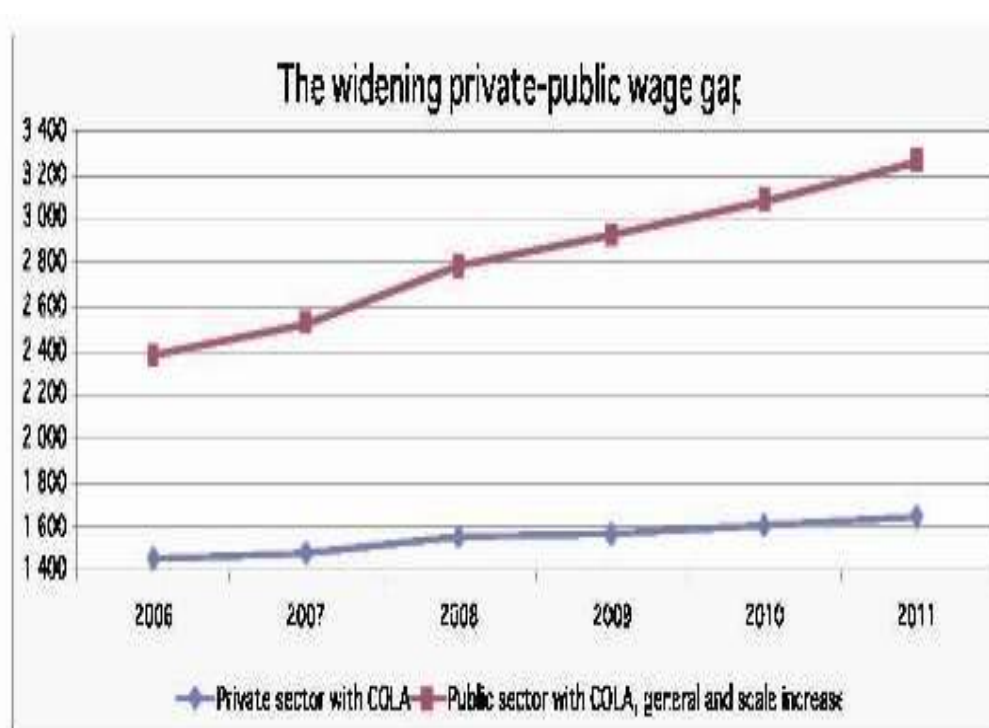
- Central Government (96% civil service, 4% non-profit organisations)

wage bill in the Eurozone (96% is civil service) and it is the second highest in the EU, standing at 15.9% of GDP in 2012. The wage bill increased from 13.6 % in 2000 to 15.9% in 2012. A snapshot of the wages in the public sector in Cyprus shows that it is always high in comparison with the private sector wages. *Table 5.5* shows that the public sector wages have been sustained consistently at higher levels than the private sector. During the year 2006, the average wage in the private sector was EUR 1,457, while the mean earnings for the public sector was EUR 2,378. Therefore, in 2006, the average private-sector worker received around 40% less wages than their counterparts in the public-sector which represents the public-private pay gap. According to the findings of a study conducted by Pashardes (2011a), public sector remuneration exceeded private sector remuneration by 43% in 2009 (not controlling for career stream, education, and experience). The results of the study show that

public sector total remuneration in Cyprus exceeds that earned by similar workers in the private sector by an average of 27% (*Table 5.6*). By occupational category the findings suggest that only managers and senior officials are actually paid less than their private sector counterparts. Teachers are the most significantly overpaid staff, receiving more than double what their counterparts earn as private sector teachers in Cyprus. In addition, clerical staff, unskilled workers, and service and sales workers are the next highest paid group relative to comparable private sector workers, receiving salary premiums of 31%, 57% and 79% respectively, relative to comparably educated and experienced workers in those same occupations/career streams. Finally, the remainder of the public administration workforce receives pay premiums in the 15 percent to 30 percent range. Even with the current circumstances of the economic crisis, there is a pay gap between the two sectors although both sectors have had their wages reduced since 2012.

**Table 5.5 Average wage differences between the public and the private sector in Cyprus**

**Public sector earns double the private wage**



Source: Cystat 2011

**Table 5.6 Public-Private Pay Differentials by Profession**

Occupational Group/Career Stream	Public remuneration as a % of private sector remuneration
Managers, Senior Officials	80
Teachers	207
Other Professionals	113
Technicians, Associates	121
Clerks, Cashiers	131
Service and Sales Workers	157
Skilled Workers	118
Unskilled Workers	179
Average	<b>127</b>

Source: Pashardes (2011a)

Participants' disagreements have been marginalised as the Troika enables the government of Cyprus to introduce management reforms. IMF argues that measures need to be taken to bring wage spending levels in line with EU averages. Key among the measures is freezing earnings for public sector workers until 2016. Despite the disagreements among the participants, there is a consensus on the need for structural adjustment programmes. After signing the Memorandum of Understanding with the Troika, the Cypriot government has to handle the current tight fiscal crisis more effectively, restructuring the public sector in order to achieve sustainability, minimising costs by necessity and becoming effective and efficient if it is to survive. There is recognition of the desirability of 'modernisation' amongst policy-makers, civil service managers and trade unionists alike. They also recognise that the public sector needs to become more flexible and less wasteful, work without needless bureaucracy, manage public money cost-effectively and serve its citizens according to their rights and needs.

### **5. Citizen Service Centres / One-Stop-Shops**

The last subordinate theme focuses on the question of the quality of services provided to the citizens. Customer service has been an important element of NPM. The results demonstrated the positive influence of the Citizens Service Centres, which were established to facilitate the smooth provision of multiple services to citizens. The interviewees acknowledged that the establishment of the Centres will offer multiple services, with a minimum of bureaucracy as all basic services are offered in one place, making them more easily available to the public. They seemed

to recognise that public administration in Cyprus is making considerable progress in improving service delivery to the citizens.

Participants spoke enthusiastically of the useful role of the Centres and highlighted that their aim is to improve the quality of public services, to be more user-friendly and to promote a “service-oriented culture” in order to satisfy citizens with simplified procedures. Respondents also shared numerous insights into the operation of the Citizens’ Centres and observed that this effort contributes significantly to the introduction of management reforms, including service quality:

*[...]these [Centres] opened, that they were given the opportunity to present themselves as a different way of offering services, made them feel the need to offer them with a smile, for instance, rather than the formalised [attitude] that existed in the past, and people appreciated this.*

[Policy Maker 3]

*The simplification of procedures, for example, so that neither the service nor the citizens have to be needlessly inconvenienced... This was the secret of the CSC’s success.*

[Policy Maker 2]

One of the participants further notes that this improvement frees citizens from tiresome procedures that often necessitate multiple visits to several government offices. He also highlighted the significance of reorienting the focus of the civil service towards the citizens:

*When you gather all the basic services together and make them easily available to the public, this initiative resonates with the public and is very effective because citizens don't need to go from one ministry to the next.*

[Politician 1]

Although all the participants were satisfied with the establishment of the Centres, they also noted a sense of fragmentation and pointed out that it is necessary for the

government and politicians to demonstrate the will to undertake management reforms and to take risks, as there is much room for improvement. These aspects of the participants' views lend themselves to an interpretation that the introduction and implementation of management practices from the private sector and the introduction of NPM elements into the public sector is both momentous and vital at this stage of change.

## **5.4 Adoption of NPM**

### **5.4.1 External Pressure for reform (EU) and the Convergence towards NPM Practices**

The results address the factors that have driven the adoption of NPM reforms in the public sector of Cyprus. The theme attempts to present the participants' views regarding the process of diffusion of NPM reforms in the Cypriot public sector. Public officials expressed the view that the over-politicisation of public administration, bureaucratic ineffectiveness and the lack of a solid institutional framework would negatively affect any management reforms on the public administration of Cyprus. Indeed, most public officers felt that politicians were responsible for the current state of the civil service—having ignored significant factors and proving irresponsible when it came to the improvement of the civil service. They further observed that the role of politicians is crucial and that a strong political will and interest are significant variables in making changes, as all the political parties cooperate with the government. Public officers also felt that political interventions hampered improving productivity, effectiveness and efficiency of the public sector. There is a general consensus among the participants that the Cypriot public sector is inefficient and nepotistic. Even the politicians agree that the government of Cyprus needs to reform the public sector, but politicians have been incapable of introducing new management practices in the past. It seems that politicians accept that their role is significant. The current circumstances of the economic crises enable the government of Cyprus to introduce changes. There is a clear acceptance shared by politicians, civil servants and trade unionists that external pressures exerted from the Troika after Cyprus entered into the bailout agreement are being used as a catalyst to introduce changes. All the participants highlighted the importance of both internal and external pressures for the diffusion of NPM

practices. The three institutional mechanisms through which such ideas and practices have been transferred are ‘coercive’, ‘mimetic’ and ‘normative’ isomorphism.

External pressures include several multilateral financial institutions, donor agencies and international institutions such as the Troika of institutions, which include the EU, World Bank and IMF, whose roles are important for the spread of NPM in the public sector of Cyprus. These external pressures come from the EU with the implementation of certain regulations, through the concept of ‘coercive isomorphism’, the adoption of “best practices” used in other EU member countries through ‘mimetic isomorphism’ as expressed by the role of EUPAN, and the internal ones arising from the ‘normative’ status of the NPM model associated with professionalization with the use of co-funded programmes from the Cyprus Academy of Public Administration (CAPA).

The financial crash of 2012 has affected the Cypriot economy, and, as a result, the government of Cyprus had to enter into a bailout agreement with the ‘Troika’. It can be claimed thus that this particular historical moment is a critical juncture for Cyprus and that the external pressures are high. In their accounts of this topic, participants had positive impressions regarding the implementation of Troika’s demands and commented that they would pressure the Cypriot civil service to implement and modernise its public administration. This view was shared by all participants, who further clarified that international donors played a crucial role in encouraging the government of Cyprus to adopt NPM practices, and that while there are the various, significant problems for the public sector associated with the effects of the crisis, as it needs to follow a tight fiscal policy, it is an ideal opportunity to introduce an economic adjustment programme and reforms related to NPM to restore a healthy and effective financial public sector.

They claimed that EU policies positively affected the Cypriot public administration, as many reforms had been instituted because of the external pressures:

*I would say that in recent years many changes have taken place, mainly due to the EU which shows that only external intervention can change things in Cyprus.*

[Senior Manager 3]

Moreover,

*.. radical changes which I think the underlying economic crisis will force us to make.*

[Senior Manager 3]

There is a clear acceptance of the view that the impetus for change is unambiguously external: the demands of the EU-ECB-IMF 'Troika' following Cyprus's financial crisis mean that Cyprus government needs to put into practice a process of structural reforms and to introduce new management practices within the public sector. This meant that semi-government organisations have to be privatised and expenditure on the public sector must be reduced as conditions for receiving continued funding and remaining a member of the eurozone. All the participants have the common opinion that external pressures exerted by the EU for the implementation of certain regulations is particularly important for the modernisation of the Cypriot public sector and that a coercive phase of Cyprus's Europeanization has been started. Upon signing the Memorandum with the Troika, Cyprus is obliged to implement regulations and radical structural reforms that will be monitored by the EU and they will impact on its administration system. External pressures are key for the initiation of the reforms as conditions for receiving continued funding and remaining a member of the eurozone. The political will to steer the paradigm shift is the most important factor for the successful outcome of the implementation process of reforms.

Participants also noted that local institutions have already been installed according to the EU framework and, as such, this has contributed to "some kind of control in the way that the public administration functions." They also described first-hand experience of the new procedures introduced by the EU that have been implemented in the civil service, such as the management practice of "better regulation", noting that:

*[C]ertain practices are followed because of the EU, which imposes a social dialogue, or a dialogue with NGOs and special interest groups.*

[Policy Maker 3]



Although participants agreed that Europeanization processes have triggered changes in the public administration reform in Cyprus, they observed that there is no *acquis* for public administration practices, indicating that there was room for further improvement.

Participants also expressed satisfaction regarding the new and stricter guidelines on fiscal policies, given that they are particularly useful for Cyprus at the present time.

*The role of the EU in the introduction and promotion of practices in the civil service is very important indeed.*

[Senior Manager 1]

EU also would oblige member states to:

*Decentralise and to diminish the size of governments and costs - both in terms of payrolls and the size of the state.*

[Politician 2]

As well as direct coercion, the isomorphism associated with public sector modernisation has a mimetic element, and Cyprus copies processes from other organisations which can be considered to be “best practices”. ‘Mimetic isomorphism’ is the process that occurs in organisations through the development of new tools and methods in the field of public administration, based on the exchange of views, successful coping mechanisms, and experiences and good practices in EU member states. All the participants acknowledged that, as a member of the EU, Cyprus has the opportunity to find the most successful and effective practices used by other countries, especially EU members, and to apply them to its own public administration. As a clear example of such an exchange of best practices taken from other countries is the introduction of the Citizen Advice Bureaux, which would take Cyprus’ public administration in a more citizen-oriented direction.

*The EU [...] has the experience of many national authorities, which gives it the opportunity to discern which practices are successful and effective.....*

[Politician 1]

Participants believe the EUPAN is constructive, partly because they see its role as being a vehicle for introducing the sort of organisational and managerial changes that politicians feel unable to initiate without such support. They also believe that EUPAN encouraged and facilitated this process through the guidelines and frameworks offered to member states:

*Total streamlining may never be achieved; however EUPAN is one of the EU institutions that are helping towards that direction.*

[Senior Manager 2]

The third notion of the process of isomorphism is the term ‘normative’ which is related to the training of public sector employees. This notion aims to describe participants’ accounts of experiencing ‘normative isomorphism’ as influence arising from the ‘normative’ status of the NPM model through the vital and creative effort CAPA offers to civil servants and the effect of co-funded programmes.

One of the participants indicated that the co-funded programmes are a valuable source of funds, and are significant as they are also approved by the European bodies providing the funding. He explained that these funded programmes are essential for Cyprus, and since every task is monitored, their relative success will be assessed by external evaluation. He offered detailed descriptions of the expected effect of these programmes and observed that these projects will positively contribute to the modernisation of public administration. He mentioned in particular:

*[..] three co-funded programmes from the European Social Fund, which basically aim to convert today's bureaucratic administration model into a goal-oriented model.*

[Policy Maker 2]

Moreover, he outlined that the role of these programmes is not just to train employees for the civil service but to develop other elements such as “team work, effective communication and quality service for the public.”

In addition to the effect of co-funded programmes used to train public employees, the role of CAPA is very important. During the process of analysing the interviews, it

was found that participants appreciated and respected the role of the Academy for its contributions to improving the efficiency and effectiveness of Cypriot civil servants and to modernising the civil service through training its employees.

Participants praised this effort and considered the Academy to be an important and dynamic tool, capable of training and changing the culture of civil servants. They provided a detailed description of how CAPA contributes to the modernisation and development of the civil service:

*The Academy has a significant role to play as it is on the receiving end, if you will, of the needs of the various departments in terms of learning.*

[Policy Maker 2]

*They try to apply a uniform model for identifying the training needs through certain innovations, such as questionnaires, and basically through the application of various educational programmes.*

[Senior Manager 1]

Participants reflected on their experiences and acknowledged that it is necessary to cultivate conditions of continuous learning within organisations and among individuals. Meeting this challenge would be a true measure of their success:

*What is more necessary is [that] organisations must become learning organisations in their own right.*

[Policy Maker 3]

An interpretation of the above comments of the participants is that public sector restructuring along NPM lines in Cyprus has been advocated for years, but it has only been made possible through external pressure brought about by the economic crisis. Participants acknowledged that Troika has made greater demands of the Cyprus public service to implement certain regulations and radical structural reforms in order to contribute to overcoming the current financial crisis. The perquisites from Troika are of paramount importance to the government of Cyprus because they have been a major influence for restructuring the public sector and reshaping the role of government. The current economic crisis is an opportunity for Cyprus administration

to implement reforms. In particular, by acting on these pressures, changes will arise from the 'coercive' status of the NPM model. The agreement with Troika can be viewed as an encouraging and positive development, as it forces the government of Cyprus to introduce reforms in order to become the fundamental pillar for the creation of a modern and effective state. In addition, the exchange of views, experiences and best practices among EU member states arise from 'mimetic isomorphism'. In particular, EUPAN plays a vital role in the modernisation of civil service because it offers guidelines applicable to the public administration. Co-funded programmes represent a valuable source of funds and have positive effects on the Cypriot public sector as they will contribute to the modernisation of the public sector and change the current administration model into a goal-oriented model. Lastly, the 'normative' status of the NPM model encourages change in that it is associated with professional training and lifelong learning, which leads towards the institutionalization of desired practices. CAPA has emerged as the government organisation with the power to ensure these changes take place through providing management training to civil servants.

The above accounts support that the three concepts of convergence are important parts of the modernisation process. Moreover, they are fundamental elements of implementing public management reforms and NPM practices. There is a clear consensus of the view that the financial crisis enables the government of Cyprus to introduce and implement reforms and the idea of isomorphism, the idea of external influence is being used as an instrument to introduce changes and this consensus is shared by politicians, civil servants and trade unionists.

### **1. The Traditional Public Administration of Cyprus**

The traditional public administration of Cyprus was plagued by many problems. One of the most dominant features of government bureaucracy in Cyprus is that it was inherited from its colonial legacy. However, management reform, including privatisations and market liberalisations, has challenged official procedures, specifically because of the size and the poor performance of public sector.

The theme describes the evolution of the public administration of Cyprus, from its independence in 1960 to the present, and gives an in-depth look at the participants'

views regarding the historical path of evolution and whether any public administration models were implemented.

### **1.1 The Bureaucratic Model of Cyprus**

The results demonstrated that the civil service in Cyprus is basically bureaucratic with many centralised decision-making processes and inflexible procedures based on the Weberian bureaucratic model. This theme attempts to illustrate the participants' views regarding the influence of the bureaucratic model on the Cypriot public sector. The participants acknowledge that Cyprus's style of bureaucracy is left over from its colonial past. The civil service has been characterised as a well-established and complex system that includes centralised decision-making processes, a hierarchical structure, over-regulation and the public administration payment system. These features have been well rooted making it very difficult to change, and so they remain a hindrance in attempts to implement NPM reforms. In particular, public officers explain that the public sector is governed by a dense mesh of laws and regulations, and it is accountable to the legislative, executive and judicial authorities. According to them, these three authorities "are restrictions that are contrarily not present in the private sector [and] they also determine the framework within which one can function."

Additionally, the results identified that the lack of adequate flexibility in Cyprus's public administration contributes to the limited management practices experienced by the public sector because of the complicated, inflexible and slow procedures required for decision-making. In particular, one of the participants stated:

*In the public sector, for a decision to be made it needs to follow procedures.*

[Policy Maker 2]

Public officers stated that the slow and inflexible procedures cause the system to move "at a very slow pace in contrast to the private sector where there is more flexibility." Therefore, despite the good working conditions in the Cypriot public sector, its sluggish and rigid procedures were interpreted as the main negative characteristic, due to the inherited bureaucratic practices.

The responses highlight that all of the negative features of public administration can be attributed to bureaucracy and colonialism. In particular, participants observed that bureaucratic ineffectiveness and the lack of a solid institutional framework can provide more opportunities for corruption and fraud in the management practices of contracting-out and outsourcing. Simultaneously, interviewees are sceptical about outsourcing, and yet, they are actually very aware that a properly governed bureaucracy is a protection against corruption. However, they claimed that outsourcing and contracting out are valuable practices from the private sector as they are cost-effective, efficient and fast; hence, those practices are properly implemented.

*[Outsourcing or contracting out] is certainly good because it frees up resources for the civil service, I mean human resources...and you can complete your projects more economically, faster, and more effectively.*

[Policy Maker 3]

On the other hand:

*I'm not saying that contracting out is the answer, or that outsourcing is the answer.....There's a great danger and you need to keep your eyes open.*

[Policy Maker 3]

At the same time, participants remain committed to 'traditional' public service and they acknowledged that a properly governed bureaucracy is a protection against corruption. This view was stated by the majority of the participants and below are the words two of them:

*I can say that it [bureaucracy] had positive features in the sense that given the situation at the time... I can't say that it [bureaucracy] was a bad thing that we continued with that management model in the early years....*

[Unionists]

*Simplifying procedures can easily lead to corruption. You need to have bureaucratic procedures, laws and regulations in order to enhance*

*transparency, citizens to be satisfied that meritocracy exists and procedures are followed.*

[Policy Maker 1]

However, the performance of the bureaucratic system of public administration in Cyprus was been subjected to harsh criticism by the participants. At the same time, there remains a clear commitment to ‘traditional’ public service, associated with impartiality, professionalism and equity. This has been interpreted as suggesting that participants experienced the public administration system as a well-organised system with hierarchical structures, ranks, jurisdictions, and posts, which function according to a series of laws, regulations and circulars. The word ‘bureaucracy’ has taken on a pejorative meaning for the respondents, but they still nevertheless value the transparency and fairness of bureaucratic organisation.

### **1.2 The Weak Institutional Capacity**

The results demonstrated that Cyprus, like other developing countries, adopted such Western models without experiencing similar contextual realities. Therefore, their public services were characterised by weak institutional capacity related to the human resources and government funds. In particular, the majority of the participants felt this way and explained that the present regulatory framework is not conducive to modernising the public sector and adopting and introducing NPM practices, given the inflexibility of its procedures and, thus, the regulatory framework needs to be changed. An appropriate regulatory framework in the Cypriot public sector would enhance the efforts of the government to introduce and implement reforms and NPM practices. One of the participants stated:

*In general, the whole legislative framework needs to be formulated in such a way so as to reduce this administrative load for companies and, in general, for anyone who has business with the state.*

[Senior Manager 1]

The results also demonstrated that the role of the public sector is vital to both citizens and civil servants. The majority of the participants illustrated their views regarding the important regulatory and supervisory aspects of the public sector, expressing a

deep sense of understanding regarding its social role and the various strategies used to fulfil that role. One of the politicians interviewed stated:

*The state must be a regulator, [...], focusing on how to be effective in creating a correct welfare state, on its social role and forming financial strategies, and others.*

[Politician 2]

The reform of the regulatory framework was interpreted as being an essential tool for the modernisation of the public sector and the implementation of management changes and NPM practices. The current agreement with the Troika is likely to impose pressures to introduce and adopt the appropriate institutional framework, as the right incentives must be put into place in order to raise public sector productivity, efficiency and speed.

### **1.3 Political Patronage and Clientelism**

The absence of market mechanisms permits rent-seeking behaviour by bureaucrats. Political patronage, clientelism, and corruption are problems that emerge in many public services of mainly developing countries. This theme aims to summarise the perspectives of the interviewees with regard to political clientelism and patronage in the Cypriot political system. Additionally, the results demonstrated that politicians' interference and clientelism is a long tradition in the political system of Cyprus, an entrenched characteristic in the specific social and cultural context. Even politicians expressed disappointment over political clientelism and patronage in the Cypriot political system. They observed that the politicians should have little involvement in public administration decisions. In particular, all of the participants acknowledged that the Cypriot political system features constraining factors such as political clientelism and party patronage, which have limited the introduction of reforms. The respondents explicitly stated that these clientelistic practices are specifically focused on promoting and recruiting public employees. Moreover, respondents felt that it is useless for politicians to interfere in public administration:



[Politicians] *should mind their own business and forget about the clientelistic relationships with the public, stop the special favours and leave the public administration to function in its role without distractions.*

[Policy Maker 3]

Such interventions stemmed from all the political parties:

*[...] there are unfortunately interventions into our system from all political sides.*

[Politician 1]

All the participants asserted that politicians getting involved to promote and recruit employees is unfair to employees who are enthusiastic, skilled, hard-working and productive. Public officers believed that the ability of politicians to interfere with promotions is a hindrance given that certain mechanisms have been established such as exams that aim to make the procedure relatively fairer. Despite these efforts, he felt that there was still room for improvement, since politicians seemed to ultimately have a say between competent candidates:

*It is difficult to interfere with written [tests]. You can interfere between almost equal people. Maybe those who have the ability to penetrate many political sides are the ones who get promoted.*

[Policy Maker 3]

Politicians were self-critical regarding the unwillingness of all the political parties to introduce new practices to ensure meritocracy. They acknowledged that they understand that reforms will bring positive results to the public administration; however, no government is willing to countenance the political costs of administration reforms.

*They get in through favours, and this is where clientelism starts, and unfortunately it is well-established and can't be uprooted. The political parties don't dare introduce procedures that would ensure meritocracy.*

[Politician 2]

The theme aims to summarise the perspectives of the interviewees with regard to political clientelism and patronage in the Cypriot political system. Additionally, the results demonstrated that politicians' interference and clientelism is a long tradition in the political system of Cyprus, deeply rooted in the specific social and cultural context and may not be easily changed. Even politicians expressed disappointment over political clientelism and patronage in the Cypriot political system. They observed that the government should have little involvement in public administration decisions. The unwillingness of the political elites to implement reforms, allowing clientelism and favouritism to endure in a highly politicized environment, have resulted in a negative attitude towards NPM implementation.

## **5.5 The Implementation of NPM Reforms in Cyprus**

The various factors identified above exert external and internal pressures on the public administration of Cyprus to introduce and adopt NPM reforms. In Cyprus, NPM reform initiatives are required by external institutions that have taken the centre stage, and it is inevitable that the changes will not only be adopted but also implemented. However, the process has not been straightforward.

Although restructuring the public sector in Cyprus along NPM lines has been advocated for years, the applicability of these NPM elements were poorly implemented. Various factors are responsible for this failure. First, the socio-economic culture and the Cypriot civil service culture raised the most serious challenge to successful reforms. Civil service is part of society and therefore some of the characteristics of society have certainly influenced the public administration as well.

The results demonstrated that Cypriot society is very conservative and that it is very difficult for the public sector to implement reforms. The present theme attempts to address the participants' views related to the nature of the Cypriot socio-economic context, and how the culture of Cypriot society reflects attitudes within the civil service. In particular, the above views were stated by all the participants, as they perceive that Cypriot culture significantly affects the ability of the civil officials and

politicians involved in decision-making to accept and implement change. They acknowledged that Cypriot social culture was negatively affected by any kind of change in the public sector. This tendency contributes to the difficulties public officials experience in implementing reforms in the public sector given that the employees prefer things to stay as they are. In their opinion the Cypriot public sector is inherently negative about and resistant to any kind of change:

*It seems that our culture does not promote change or see things critically – We don't like change, we like things to stay as they are; we have learned the system.*

[Senior Manager 3]

Nobody cares to change, there is no will for reform, and people tend to leave problems as they are:

*The mentality of our conservative society on the introduction of change: Nobody is responsible, and nobody has the will to introduce innovation into the public sector.*

[Policy Maker 1]

A metaphor was used to better describe the conservative culture of Cypriot society thus demonstrating society's behaviour towards change:

*The small population makes society conservative. The opinion "better the devil you know than the devil you don't" has become consolidated.*

[Politician 2]

The civil service reflects the attitudes of Cypriot society. Civil service attitudes tend not to put the needs of the citizen first. Here below are the words one of the participants:

*Unfortunately there is a civil servant mentality in Cyprus where they think that the citizen isn't a customer, but instead view them as their subordinates.*

[Politician 1]

There are a number of emergent themes relating to the attitudes of civil servants, who, after a few years in the civil service, even if they are exemplary employees, become average; they begin to lose sight of their potential and view their positions as 'dead ends' jobs.

*Our best mind, enter the public sector with enthusiasm and abilities, ready to be productive, but after a few years they experience the reality of the public sector,...*

[Politician 2]

However, one of the public officers talked about the negative attitudes of the civil service culture and not the civil servants as such. He attributed the problem to "attitudes and the lack of effective monitoring of working methods" which, in turn, led to "apathy" among the civil servants.

The effect of civil service culture on public administration reforms was interpreted as being negative, since civil service attitudes reflect Cypriot society overall, and its inherently conservative response to any effort for change.

Second, the negative role of the civil service union (PASYDY) is another obstacle to the implementation of NPM reforms. In this theme, participants' views are addressed regarding the effect the civil service union has on the implementation of reforms and NPM practices in the Cypriot public sector. Particularly, the above views were stated by the majority of the participants, highlighting a number of factors that contribute negatively to the successful implementation of reforms. They also mentioned inhibiting factors like negative attitudes towards any kind of change. Moreover, they expressed their frustration with PASYDY's strong reaction against the modernisation and reformation of the public sector.

*The role of PASYDY is extremely important because when PASYDY plays a positive part it is very easy to introduce something into the civil service, but when it's negative then it's almost impossible to change anything.*

[Senior Manager 1]

In addition, politicians noted that a modern trade unionist movement ought to “spearhead necessary changes and not remain entrenched and attached to practices inherited decades ago.” Public officers also acknowledge that PASYDY spent more time concentrating on the union activities, instead of dedicating more time to the reforms that could be implemented in the public sector. They felt that the support of PASYDY would serve to improve the productivity of the public sector as well as “the outward image of the public sector.”

Public officers also observed that PASYDY should be reorganized and should become more open-minded, for the common good of society and for civil servants in particular. They encouraged it to look to other countries, such as the UK, to see how similar organisations contributed positively to the public administration.

In contrast, unionists expressed a certain amount of pride regarding the significant role of PASYDY. However, they suggested that the present situation of not being as helpful as public officials and politicians wished was not something to blame the union for. They believe that innovations cannot be successfully implemented if there is no cooperation between employees and employers, and that PASYDY is a pioneer of new ideas, recommendations and improvements.

*So the body representing the civil servants must have the flexibility and the ability to adapt, accept and be open-minded and able to transmit to its members the message that these things must be accepted.*

[Unionist 1]

The interpretation of the above accounts illustrates that PASYDY’s negative attitude towards the implementation of management reforms in the public sector is an inhibiting factor that has no positive results for the civil servants, nor for society in

general. No matter the differences of opinions about management reforms, unionists' disagreements have been marginalised because of Troika's involvement. Within the framework of the modernisation of the Cypriot public sector, and in order to cope with the financial problems that Cyprus economy is facing, Troika have stressed that the public sector needs to be downsized and public sector expenditure needs to be reduced if Cyprus continues to receive funding and to be a member of the Euro.

Third, public management reforms failed because of the corruption and over-politicisation of public administration, rigid public bureaucracy and the insufficient institutional capacity. These factors are elaborated here below:

Insufficient institutional capacity and rigid bureaucracy:

The results demonstrated that although the Cypriot public administration is based on a bureaucratic model, featuring norms and regulations designed to hinder any opportunity of corruption and fraud; these features are largely present. In addition, public sector in Cyprus changed over time given economic growth, technological advancement, globalization and changes to the role of the state. New demands were generated and old ones reduced or altered; all of which demanded a leaner, more focused and efficient public sector. Given that the existing norms and regulations, which were inherited from our colonial rulers have not been improved and redesigned throughout the years in order to be better aligned with today's more complicated public sector, and in order to fulfil all the operations of the various departments, this leaves the current public administration increasingly exposed to the risk of corrupt and fraudulent activities occurring.

Due to existing discrepancies within the legal framework, it is often the case that instead of following standard procedures, senior civil servants and politicians use their close personal contacts in order to bypass the system and move matters along more quickly and in their favour. As a result, this form of corrupt behaviour is tolerated within the public sector, as stated earlier in Chapter I (p. 11-13).

### Over-politicisation and corruption:

Indicatively, two of the participants observed that over-politicisation and corrupt practices of public administration, bureaucratic ineffectiveness, the lack of a solid institutional framework, proper rule of law and control structures and the lack of meritocracy among the public employees can provide more opportunities for corruption and fraud which has particular implication for NPM reforms. In addition, they specifically focused on management practices of outsourcing and contracting-out, and they noted that these can provide opportunities for corruption in the public sector of Cyprus as corruption flourishes in the relationships between politicians and public officers. It is usually the case that public officials neglect to follow standard regulations, either to serve their own interest or those of the members of their political party (Chapter I, p.11-13). Both participants explained that politicians can influence the public administration by influencing the value of the service being contracted out, or sometimes by supplying information on competitors in order to influence the decision-making process. They highlighted the danger of corruption, expressing awareness of and concern for the effects of corruption regarding the management practices of contracting out and outsourcing:

*There's a great danger [in outsourcing] and you need to keep your eyes open*

[Policy Maker 3]

These accounts appear to support an interpretation whereby, despite the bureaucratic model of public administration, there is still room for improvement of the institutional framework in order to avoid any opportunity for corruption and fraud. Nevertheless, the external pressures exerted from Troika should be seen as a catalyst that will oblige Cyprus to establish and implement reforms appropriate for the needs of the public sector, to avoid any opportunity of over-politicisation and corruption of public administration, with cooperation of all sides, government, political parties and other stakeholders. Moreover, participants concluded that Troika will place public finances on a sustainable path that will provide stability and the fiscal space necessary for supporting management reforms.

## **5.6 Conclusions**

This chapter presented the major themes that emerged from the narratives I interpreted in my capacity as researcher during the research process. The themes highlighted in the present chapter concentrate on the management practices of the Cypriot public sector and offer significant answers to the research question. All the participants had experience of the public sector as they are policy makers and senior managers from the government level, unionists and politicians engaged in efforts to modernize the infrastructure of the Cypriot public sector at the time of the interviews and were able to relate those experiences.

Although the interviews contained some similar themes, the interviews were also unique and detailed the participants' experiences of the adoption and implementation of NPM practices in the Cypriot public sector. Several themes identified stemmed from the related experiences of all or nearly all the participants.

The next chapter discussed the results of the present study and offers a series of conclusions.



# **CHAPTER VI**

## **DISCUSSION AND CONCLUSIONS**

### **6.1 Introduction**

While Chapters II and III reviewed literature on the research question, Chapter IV discussed and analysed the research design and methodology, and Chapter V presented the results and findings. The present chapter will focus on a discussion on the findings. In particular, I will endeavour to critically discuss the findings and connect them to the existing literature. For this reason, all the preceding chapters will be discussed critically. The discussion will demonstrate the way in which the NPM elements have developed throughout the research process. To conclude the study, comments will be made about several different aspects of the thesis and essential recommendations will be discussed.

### **6.2 Discussion**

The findings of the present study will be considered in relation to the research question and literature. The study highlights the value of analysing the phenomenon of the introduction, adoption and implementation of management practices and NPM practices from the private sector into the Cypriot public sector, and how these practices have been regarded by government officials, politicians and unionists. A rigorous qualitative methodology was deployed in order to explicate these experiences. The following discussion assesses and interprets the findings of the study in relation to the research questions.

All the participants in the present study acknowledged that it is particularly important to implement public management reforms, however, public officers, politicians and unionists interpret these issues differently and they want to see reforms implemented in accordance to the needs and interests of each particular group of participants. As a consequence of this, NPM is often regarded as a large, and sometimes, false concept. For example, public officers stressed the need for reforms for the modernization of

the public sector but on the other hand they expressed that over-politicisation of the public administration, politicians' interventions, such as, in the process of recruitment and promotion of public employees, and the lack of a solid institutional framework, would hamper the introduction of such management reforms. This finding is supported by Dorrell (1993) who pointed out that the process of modernization of their public sector is an opportunity to improve their quality and effectiveness, but according to Immergut the reason for the limited effectiveness of reform efforts is that "political and administrative institutions 'set the boundaries within which strategic actors make their choices'" (Immergut 1992 in Sosen & Shaw 2002:477). Thus, these efforts are continuously constrained by the long legacy of politicisation, as well as the mentalities and culture it has fostered. In contrast, politicians observed that management reforms are of paramount importance, in order for the public sector to become more flexible, less wasteful and, thus, able to serve its citizens in accordance to their rights and needs and to offer them quality and value for money. Ferlie et al., (1996) assert that the organisation should focus on what the citizens want, not what the administration thinks they need. In addition, Kee & Black (1985) stated that the public sector's objective is the design and delivery of public services for the maximisation of service value for citizens. Contrary to the views above, unionists in this study displayed pride in the significant role of PA.SY.D.Y and they believe that innovative reforms cannot be successfully implemented if there is no cooperation between employees and employers. They furthermore explained that the public sector is composed of well educated employees and that employees in departments with a low work load could be moved to departments with a greater work load. Despite the positive views of the unionists regarding the introduction and adoption of NPM practices in the public sector of Cyprus, in his statement to the Cyprus News Agency (CNA), the General Secretary of PASYDY admitted that the public sector faces financial problems; however he disagreed with the view that the public sector wage bill is not sustainable (Soumeli, 2013). According to the General Secretary, "without formulating alternative positions and proposals concerning the structure and operation of the public sector, the targeting of public servants and the exclusion of the union from the relevant procedures would be harmful to the country's interests"(Soumeli, 2013:3). Since one of the elements of NPM practices is "cost cutting and doing more with less", the main objection of the General Secretary is related to wage reduction, but not to the general idea and need for NPM practices.

This statement of the General Secretary of PASYDY coincides with the positive views of the public officers and unionists, who recognise the desirability of the ‘modernisation’ of the public sector of Cyprus, despite being opposed to wage reduction. There was a degree of opposition at the senior level of the civil servants trade union view; however, as the data shows in Chapter V, this opposition has been reduced over the period of the two years and the current agreement with the Troika of Institutions.

In addition, it should be noted that participants who participated in this study recognize the current economic crises and they all strongly believe that now is an ideal time to introduce reforms related to NPM as the government of Cyprus no longer has the financial means to support itself.

This is the first systematic study to have been conducted on NPM practices in the public sector of Cyprus. The interpretative analysis of the current research has the potential to develop a wider and deeper understanding of the introduction adoption and implementation of NPM and management practices in the government of Cyprus, as it will offer new insight into, and an opportunity to broaden, our understanding of the experiences associated with the reforms undertaken by the Cypriot public sector and the attitudes of civil servants, politicians and unionists toward the reforms. The responses were analysed in relation to the extant literature in an attempt to understand and interpret the participants’ experiences and attitudes related with the applicability of management reforms in the Cypriot public sector.

This study is set out to explore NPM-type of reforms in the public sector of Cyprus. Based on the purpose of this research specific research questions related to the goals of the present study have been formulated and therefore the discussion of the findings arising from the investigation of these key questions is presented below:

#### **R.Q.1. What is New Public Management and what does it involve?**

##### **6.2.1 NPM Practices**

The findings of this study regarding the participants’ understanding of the term “NPM”, found that government officials and unionists seemed to be more

knowledgeable due to their training and exposure to international development programmes through the EU. On the other hand, politicians showed limited familiarity with the term and rarely used it.

The participants in this study outlined, as reported in Chapter V, the applicability of NPM practices, the potential usefulness of NPM in the Cypriot public sector based on the relevant elements of NPM as applied to Cypriot public sector reforms.

### **1. Private-Sector-Style Management Practices/Contracting Out – Outsourcing**

Firstly, the study revealed how participants experienced the factors have driven the introduction and adoption of private-sector-style management practices in the Cypriot public sector. Most of the participants expressed their confidence that successful management practices from the private sector and NPM practices will help modernise the public sector of Cyprus. An OECD (OECD 1993a) survey revealed that management techniques and practices related to private sector management practices are used by the public sector to reform and change their public management. NPM practices are leading governments towards the “marketisation” and “privatisation” policies of the public sector through outsourcing and contracting out, which are policy measures that have also been recently pursued by the EU (Philippidou, 2009). NPM reform programs focus on neo-liberal policies by privatizing as much of the public sector as can be taken over by the market (Wollmann & Thurmaier, 2011). Participants in this study recognized the positive effect of private-sector-style management practices, commenting that these are valuable practices from the private sector. Furthermore, public officers reported that outsourcing and contracting out could benefit the public sector given that they demand less human resources and allow projects to be completed more economically, effectively and faster. Specifically, they reported that the outsourcing of certain projects could assist with improving services offered to citizens and as a cost-cutting measure. At the same time, a few of the participants of the study, expressed concern and explained that such management practices of outsourcing and contracting out can provide more opportunities for corruption and fraud due to the existing norms and regulations the Cypriot public sector inherited, which have not

been improved throughout the years in order to be better aligned with today's more complicated public sector. This finding of the study is supported by Larbi (1999) who pointed out that contracting out improves government finances, as it saves on costs otherwise caused by inefficient public bureaucracies that do more to satisfy the needs of producers than consumers.

Finally, the findings of the study emphasise the significance of the introduction and implementation of practices from the private sector within the public sector of Cyprus; thus, the traditional management practices of the public sector can change and become more efficient. This tends to confirm Osborne and Gaebler's (1992) view in their work 'Reinventing Government' where they described strong principles of NPM, such as methods for making government more entrepreneurial, and ways for the public sector to copy desirable and more efficient practices and mechanisms from the private sector.

## **2. Decentralisation and Downsizing**

Different groups of participants vary in opinions. Politicians believe that the public sector is huge, while they acknowledge that every newly-elected government promotes 'their people' and offers public sector jobs and favours to people in order to satisfy them and secure more votes without paying any attention to what the government departments need. On the other hand, a few of the public officers and unionists pointed out that it is a myth that Cyprus has an oversized public sector, and they compared the size of the Cypriot public sector to that in other European countries. One of the senior officers supported this claim by citing statistics in relation with the public sector of other European countries. He observed that the size of the Cypriot public sector, at 17.5% of the actively employed workforce, is smaller than that of some other European countries. His point of view can be backed up by Eurostat statistics which state the actual size of the civil service of Cyprus is not out of line with international benchmarks. This is consistent with the statistical data of the International Laborsta organisation (ILO) (*Table 5.1.*). Furthermore, Eurostat statistics supports this view and show that Cyprus's total general government employment (96% is civil service) stood at 8% of the population in 2012, just under the EU average (*Table 5.3, Chapter V*). In addition, government statistics show that

the size of the public sector has been constrained as there are about 1,000 fewer posts for the year 2012 than there were in 2011 (*Table 5.4.*). These data contradict the views of some of the participants, who take an opposing view of the size of the public sector of Cyprus. Nevertheless, previous attempts to reduce civil service staffing and introduce practices influenced by ‘New Public Management’ (NPM) have been unsuccessful. And differing opinions about the size of the civil service have been more or less pushed to the sidelines by the dynamic change from Troikas’ involvement. Although unionists, politicians and public officers disagree on the size of the civil service, there is a degree of consensus that the public sector needs structural adjustments and reform. The impetus for the change has come from the Troika’s demands. This means that the current programme for reform is imposed on the government of Cyprus to introduce reforms in the public sector as conditions for receiving continued funding and remaining a member of the eurozone. Key among the measures is to continue to reduce the size of the public sector by freezing posts in various departments. Since 2011, the size of the government (civil service) employment has been decreased from 52,198 employees to 49,475 in 2013, as shown in *Table 5.4.*

As the main objective of downsizing is cost savings and increased efficiency of public sector (Wescott, 1999), Rama (1997) has noted that downsizing reduces government costs and economic efficiency increases only when managed thoughtfully. Supporting this view, the majority of participants indicated that the introduction of successful management practices from the private sector for the provision of goods and services has led to downsizing and tighter budgetary allocations of the Cypriot public sector. Moreover, they stressed that any reduction could be conducted in a rational way in order not to affect the service to the public and reduce efficiency.

Unionists held a similar stance and, in addition, suggested that the number of civil servants could not be reduced equally in all departments as, in some units, there may be need to add more employees. Faustmann (2010) claims that political clientelism and party patronage are fundamental characteristics of the Cypriot political system and, as such, have hampered the introduction of reforms. Supporting this view, politicians (who did not represent the government) expressed their frustration

towards this issue, explaining that every newly elected government offered voters posts in the public sector in order to secure more votes and, therefore, there is not the political will to end this practice. Similar results were found in the study by “eleftheria/Political Portal” (2012), who found that, since 1982–83, every newly elected government recruited employees in order to secure votes through political clientelism and party patronage. As a result, nowadays, the public sector is a “huge government”, as politicians are less interested in employing the right people in the right posts than in satisfying their voters. However, the financial crisis the government of Cyprus is currently facing and the financial assistance from the Eurogroup, has led the Troika to exert pressure on the state to downsize the public sector (Central Bank of Cyprus, 2012).

### **3. Performance Management**

According to Hood (1991:4-5) another NPM element has involved the establishment of “explicit standards and measures of performance through clarification of goals, targets, and indicators of success” (Hood 1991:4-5 in Yamamoto 2003:4). All the participants of the study stressed the fact that the culture in Cyprus in relation to the performance appraisal of employees does not support this approach. Public officers expressed frustration due to the lack of a proper performance appraisal system and, in addition, they stated that the government does not have the political will to change the system; thus, senior managers cannot do anything in order to alter the system. On the one hand, unionists observed that the appraisal system is not a good one; however, on the other hand, they stressed the role played by that Cypriot society and culture in relation to the performance appraisal of employees. Moreover, they all stated that the annual performance evaluation procedure was seen as a routine procedure, rather than an accurate performance appraisal system. The problems inherent in this approach were expressed by all the participants. The findings of the study revealed that a reliable evaluation system is a new challenge for the Cypriot public sector. All of the participants argued along the same lines, stressing the urgent need to introduce a reliable and valid performance evaluation system within the Cypriot public sector. Finally, it should be noted that the participants criticized the ineffectiveness of the current appraisal system since it evaluates all the public

employees as ‘excellent’, and questioned Cypriot society and culture in relation to the performance appraisal of employees. This study, however, found that in the existing culture and without a proper evaluation system it would be politically controversial to introduce this NPM element.

#### **4. Cost-Cutting—“Doing More with Less”**

Pollitt and Bouckaert (2004:67) state that “financial management reform has centred on the restructuring and reorganisation of budgets, resulting from external pressures to restrict public expenditure and to improve performance”. All the participants of the current study recognize the need for the financial management reform regarding the restructuring of budgets and they stressed the fact that the current budget deficits and the external pressure from the Troika for tighter budgetary allocations is a current reality, addressing the increasing concerns of cost-cutting and doing more with less. Public officers in this study recognized the need of the Cypriot government to find ways to economise and to emphasise efficiency and cost-effectiveness. Additionally, they acknowledged that the time for change has arrived. This contrasted with the negative attitude of politicians, where they discourage any reforms and they believe that citizens must be served according to their political identity. Moreover, public officers felt that the cost of public administration is a significant burden on the budget of Cyprus’ government, thus, it has to minimise its cost in order to survive. Politicians share similar view with public officers; however, they additionally explained that the public sector must serve the citizens according to their rights and their needs. This finding of the study is supported by Aucoins (1995) who identified that citizen demands for a higher standard of public services is the main motivational force behind efforts made by governments to improve efficiency, productivity, and make the public sector more cost-effective, particularly against a background of fiscal tightness (Aucoin 1995:9-10 in Fairbrother et al. 2012:32). Conversely, unionists held similar view regarding the fiscal crisis; in contrast, however, they supported that reducing the wages of civil servants is not the appropriate solution to resolve the current tight fiscal crisis. The findings of the study implied that the public sector must become flexible, less wasteful and strive to manage public money cost-effectively with the ability to ‘do more with less’ and



serving its citizens according to their rights and their needs. This finding is supported by Aucoins (1995), who stated that governments emphasize “doing more with less” as a response to the problem of increasing demands on the part of citizens for better quality of services, despite declining revenues (Aucoin 1995: 9–10 in O’Donnell et al. 1999). In addition, there is controversy among the participants regarding the wage bill of the public sector in Cyprus. Politicians and IMF believe that public sector is huge and expensive and containment of the wages is needed. Contrary to politicians and the troika’s people, unionists commented that civil servants’ wages are not the reason for the deficits and the financial crisis. Indeed, civil servants asserted that reducing the wages will probably negatively affect efficiency. This finding is supported by Eurostat statistics which shows that the public sector wage bill in Cyprus is high compared to EU standards. *Table 5.2* in Chapter V shows that Cyprus has the highest general government wage bill in the Eurozone and it is the second highest in the EU, standing at 15.9% of GDP in 2012. A snapshot of the wages in the public sector in Cyprus shows that it is always high in comparison with the private sector wages. *Table 5.5* in Chapter V, shows that the public sector wages have been sustained consistently at higher levels than the private sector. Similar findings were conducted by study Pashardes (2011a), where public sector remuneration exceeded private sector remuneration by 43% in 2009 (not controlling for career stream, education, and experience). The results of the study show that public sector total remuneration in Cyprus exceeds that earned by similar workers in the private sector by an average of 27% (*Table 5.6* in Chapter V). Even with the current circumstances of the economic crisis, there is a pay gap between the two sectors although both sectors have had their wages reduced since 2012. Despite the disagreements among the participants, there is a consensus on the need for structural adjustment programmes. There is recognition of the desirability of ‘modernisation’ amongst policy-makers, civil service managers and trade unionists alike.

## **5. Citizen Service Centres/One-Stop-Shops**

All of the participants noted that quality service to their constituents has been an important element of NPM. Launched in Britain in 1991, the main purpose of the Citizens’ Charter was to increase the quality of public service, making it more user-

friendly, while also making civil servants more conscious of the significance of the service that they are offering in terms of customer satisfaction (Kemp, 1997). The participants reported that the establishment of the Citizens Service Centres across the island represents considerable progress of public administration in Cyprus as this effort contributes significantly to improving the service delivery to citizens. Moreover, they highlighted the useful role of the Centres in improving the “service-oriented culture”, in order to satisfy citizens with simple procedures in contrast to the need for multiple visits to several government offices. The positive influence of the Citizens Service Centres and their useful role had been expressed by all the participants in this study as these relate to the smooth provision of services to citizens. In addition, one of the public officers expressed his satisfaction regarding the establishment of the Centres and he further noted a sense of fragmentation and pointed out the necessity of the government and politicians demonstrating the will to undertake management reforms and to take risks, as there is much room for improvement. Ferlie et al. (1996) state that in applying TQM, the organisation should focus on what the citizens want, not what administration thinks they need. Supporting this view the findings of the current study indicate that quality service was also warmly endorsed by all the participants, as their role is to satisfy citizens’ demands easily and with simple procedures. In fact, the study found that citizen service centres / “one-stop-shops” have been established to offer multiple services with simple procedures, freeing citizens from multiple visits to several government offices. These findings match closely those outlined by the OECD (1995:6) which states that “citizens are increasingly expecting quality and value for money from their public services and they are reluctant to pay higher taxes”.

**R.Q.2. Why are NPM reforms being adopted and implemented in the public sector of Cyprus? And**

**R.Q.3.What factors have caused the public administration to adopt NPM reforms? And**

**R.Q.4.To what extent do either internal or external factors influence the adoption of these reforms?**

## **6.2.2 Adoption of NPM**

### **6.2.2.1 External Pressure for reform and the Convergence towards NPM**

The study revealed how participants viewed the significance of the factors have driven to the adoption of NPM reforms and the process of diffusion of NPM reforms in the Cypriot public sector. All the participants reported the importance of both internal and external pressures of the diffusion of NPM practices. Christensen and Laegreid (2011) stated that in some countries the transmission of NPM ideas from outside their borders might be a strong element. In addition, Halligan argues that “small nations are more externally oriented” (Halligan 1996:292 in Common 1998:447). Scholars also suggest that external pressure exerted by international donors played a crucial role in encouraging different countries to adopt NPM practices. Furthermore, as noted by Christensen and Laegreid (2001), there are some cases in which the influence and ultimate adoption of NPM principles are externally generated, and others in which 'national or local initiatives' are the main motivators. Supporting these views, the majority of the participants indicated that the adoption of certain regulations, undertaken because of pressure from the EU and the current agreement with the Troika as an external force, oblige the government of Cyprus to follow convergence towards NPM and the introduction and adoption of management reforms in the public sector of Cyprus.

Besides “coercion”, “mimetic” process is another issue of isomorphism, which occurs in organisations that copy processes from other organisations, which can be considered to be ‘best practices’, ‘modern’ or ‘successful’ is another issue of convergence (Pollitt, 2001). Many participants stressed the fact that the adoption of “best practices” from other countries is important processes for the modernisation of Cypriot public administration and catalysts of change. Supporting this view, the participants indicated the significant effect of EUPAN on the Cyprus public administration by introducing new tools and methods in the field of public administration, based on the exchange of views, successful coping mechanisms, experiences and good practices from other EU member states in order to improve performance, competitiveness and quality of the public sector. The third attribute of the notion is ‘normative isomorphism’, which is associated with professionalization

and has been identified as a driving force towards institutionalization. CAPA is the organisation of the government emerges as a state-driven actor and exercises its power through management training of civil servants. Participants concurred with these pressures arising from the normative idea of NPM model and they assert that the Cyprus Academy of Public Administration (CAPA) is a professional institute and contributes significantly towards the improvement of the efficiency and effectiveness of the Cypriot public sector and its modernisation through the training of civil servants, consultancy and applied research. Powell and DiMaggio assert that all organisations are inclined towards what they term “isomorphic processes”, leading them to converge towards each other (Powell and DiMaggio 1991 in Dollery & Lee 2004: 2). The current findings concur with Powell and DiMaggio’s viewpoint in pointing out the significance of the three concepts of “coercive isomorphism”, “mimetic isomorphism”, and “normative isomorphism”.

The spread of NPM ideas and practices is a complex process and each country follows its own reform trajectory within a broader framework. In this way the adoption of NPM reforms and public management practices from the private sector, is related to various historical institutional and cultural traditions, or path-dependencies, may influence the adoption of NPM in many countries (Wollmann & Thurmaier, 2011). Supporting this view, all the participants in all groups recognise the valuable elements of NPM; however, they indicated that the intrusion of different political groups and, considering the various socio-economic and technological factors, Cypriot culture make it difficult to introduce and adopt NPM reforms and implement change and innovation in the traditional public administration. The following discussion demonstrates the reasons for which the Cypriot public administration has lagged in adopting various administrative reforms and NPM practices.

**R.Q. 5. What are the reasons behind these factors?**

#### **6.2.2.2 Reasons behind the factors have driven to the adoption of NPM reforms**

## **1. Global Financial Crisis**

The global crisis, which started in 2008 with the banking crisis, was followed by the economic crisis that emerged after the financial crash started to affect real economies resulting in the current fiscal crisis (Di Mascio & Natalini, 2013). The current financial crisis in many OECD countries has influenced governments to reduce administration budgets and cut spending (Pollitt 2010 in Di Mascio & Natalini 2013). Furthermore, the international economic pressures oblige governments to seek administrative organisations which ‘work better and cost less’ by cutting down unnecessary regulations and creating opportunities for creative solutions and cooperation (Kolthof et al., 2006). Supporting the above views, all the participants in all groups recognise the effects from crisis and the need to implement NPM reforms in order to prevent economic stagnation and to trigger economic growth.

In particular, the serious financial problems currently faced due to the financial crisis influenced the government of Cyprus in early 2011. As the Greek fiscal crisis and Euro zone debt crisis deepened, Cyprus’s borrowing costs have risen steadily because of its exposure to Greek debt. The government of Cyprus, in order to respond to the state’s deteriorating finances, implemented measures to cut the costs incurred by the state. However, in June 2012 the government of Cyprus applied for financial assistance from the Euro group and IMF. Common (1998) and Minogue (1998) state that financial crises of governments, poor performance and efficiency in the public sector, lack of accountability, bureaucratic procedures and corruption led to the introduction of a modern administration system in the public sector in the form of a new public management. The participants of the current study expressed their optimism and their hopefulness regarding the involvement of the Troika of institutions, as an external driving force that would impose pressures in order to introduce NPM and management reforms that can help the Cypriot public sector to improve its efficiency and effectiveness in order to overcome the current crisis and restore the health of the financial sector, thereby supporting sustainable and balanced growth.

## **2. The Political Context**

Many participants stressed that the politicisation of the public sector, which has played a significant role in reforming the public sector of Cyprus, has been one of the main obstacles hampering the smooth implementation of the reforms. Public officials expressed that over-politicisation of public administration, and politicians' interventions in the process of the recruitment and promotion of public employees, would negatively affect any introduction of management reforms as they fear losing voters. Moreover, they noted that politicians were responsible for the current state of the civil service. They further reported that the lack of knowledge and specialisation among politicians regarding public administration is another issue which hampers any implementation of management reforms. Despite this predominantly negative view of the role played by politicians, some public officials noted that some politicians had positively contributed to some of the successful practices that were introduced to the public administration. Sarker (2006:190) argues that "the commitment of political leadership is a driving force behind the implementation of administrative reform efforts". There are many examples of successful implementation of NPM reforms from around the world, based on managerial practices driven by the political leadership of figures such as Margaret Thatcher and John Major in Britain, Ronald Reagan and Bill Clinton in the USA (Pollitt, 1993). With this in mind, their role is crucial and strong political will and interest are significant variables in ensuring change.

In contrast, unlike the view of the politician's role in employment procedure expressed by public officials, politicians' view was positive. One of the politicians expressed a sense of satisfaction with the role of politicians in the recruitment processes, as a new system had been formalized by the government of President Tasos Papadopoulos, which offers equal rights to candidates and appointees.

### **3. The Traditional Public administration of Cyprus**

#### **3.1 The Bureaucratic Model**

Larbi (2003:1) asserts that “public attitudes and increasing criticisms of the ineffectiveness and in-efficiencies of delivering public services through bureaucratic organisational arrangements and the need to search for alternatives. Old public administration was seen as too slow, driven by rules instead of performance, inefficient and unresponsive to users”. Supporting this view, all the participants stressed the fact that the influence of the complex bureaucratic system inherited from Cyprus’ colonial rulers, with its rigid rules and inflexible procedures, left little room to implement change. In addition, they emphasised the need for reforms and to move away from this traditional bureaucratic public administration in order to revamp the public sector along the lines of modern management practices and NPM reforms. Gautam (2008:12) asserts that “NPM brings radical changes in organisational structures in hierarchy, in pay system, in work cultures, in the roles and responsibilities, in organisational relationships, in exercising power and authority, and ultimately in overall politico-administrative system”. Participants agreed with Gautam’s view, emphasizing the significance of introducing and implementing management reforms and indicating that Europeanization processes have triggered changes in public administration reform in Cyprus.

Therefore, it is vital to note that the findings also indicate the need for greater communication and cooperation among the government, public officers, unionists and politicians in order to introduce reliable and valid management practices to achieve an effective and efficient public service. This was a common view among the participants, who all indicated that the market, as well as, changing the bureaucratic structures of public administration, were of paramount concern.

#### **3.2 Weak Institutional capacity**

Cyprus was adopted such Western models without experiencing similar contextual realities, so the Cypriot public sector was characterised by weak institutional capacity.

All the participants of the present study explained that the present regulatory framework is not conducive to modernising the public sector and the introduction and adoption of NPM practices given its inflexible procedures and, thus, it needs to be changed. A sufficient regulatory framework in the Cypriot public sector would enhance the efforts of the government to introduce and implement reforms and NPM practices.

### **3.3 Political Patronage and Clientelism**

Political patronage and clientelism, rent-seeking, mismanagement and corruption are additional problems to emerge in many public services of mainly developing countries. In addition, political clientelism and patronage is a classical characteristic of the political systems in Southern Europe, and Cyprus is not exempt. The findings of the study directly support Sozen and Shaw's (2002:483) viewpoint that "in societies where public administration demonstrates high levels of clientism, patronage and corruption, attempts at the implementation of administrative or management reform would fail". Furthermore, Larbi (1999) stated that the prevalence of political patronage may undermine the benefits that may be derived from contracting out as it is more prone to corruption, in as much as contracts are within the public sector. In such cases, contracting out may be economically inefficient and wasteful. In the light of this literature, some participants of the study recognized that widespread political patronage, clientelism and corruption, as the main features of the Cypriot government, undermine the successful diffusion of contracting-out practices and therefore, can be cost-inefficient and wasteful, if there is no political will to mitigate the difficulties.

Unsurprisingly, management practices from the private sector have been politically sensitive and have increased opportunities for corruption and fraud. As referred to in Chapters I (p. 11-13) and V (p.137), practices from the private sector, such as contracting out / outsourcing are cost-efficient, with fewer human resources, and projects could be completed more economically, quickly, and more effectively. However, there is a need to exercise caution in the application of such practices. All the participants of the study indicate that probity remains the major concern of the



modernisation of the public sector: corruption represents a major challenge faced by the Cypriot public sector if it wishes to reap the full benefits of introducing and implementing NPM. Hughes (1998) states that NPM ideas for contracting-out are very effective in curbing corruption; when an organization is over-politicised, corrupt political patronage increases. Similar results were found in the study by “eleftheria/Political Portal” (2012:12), who also found that transparency is needed to combat corruption in cases involving “favouritism in decisions of government officials”, “irregular payments and bribes”, and the “diversion of public funds”.

Therefore, political patronage and clientelism are major characteristics of the political culture in Cyprus. Even the politicians recognise that all the political parties have involvement and interventions in public administration decisions and specifically on the promotion and recruitment procedures of public employees. All the participants stated that these clientelistic practices are a long tradition in the political culture of Cyprus and are deeply rooted in the specific social and culture context and, thus, are not easy to change. These findings support Sotiropoulo’s view that “the profound politicisation of southern European public administration is not a momentary aberration of contemporary politicians, but an almost two centuries long tradition of particular political systems in their particular social, economical and cultural contexts” (Sotiropoulos 2006 in Kickert 2011:812). The above findings described by participants have led to the conclusion that the government has to overcome its difficulties with and eradicate its deep-rooted traditions of political clientelism and party patronage in order to introduce and implement management reforms and NPM practices.

In the light of the above, it is useful to consider that all the participants were optimistic about the introduction and adoption of NPM practices into the public sector as it is both important and vital at this stage of change. Moreover, it is vital to note here that all the participants indicated enthusiastically that this is the ideal time for the government of Cyprus to introduce and adopt practices such as those related to NPM. The current findings indicate that this is indeed a good opportunity, as the current economic crisis, and the current agreement with the Troika is likely to force the government to take substantial and determinative decisions to introduce and

adopt reforms, to secure meritocracy, avoid any opportunity of over-politicisation and corruption of public administration and modernise its public administration. Dorrell (1993) noted that globalization and Europeanization pressures are considered to be very important as they will oblige many countries to modernize their public administration. The process of modernization of their public sector is an opportunity to improve their quality and effectiveness. Agreeing with this view, the majority of the participants felt that NPM practices and the pressures from the Troika for the introduction of reforms will help the government to reform the public administration in order to work effectively and efficiently for better outcomes. The members of the Troika have been a major external driver promoting the restructuring of the public sector and the reshaping of the role of government in order to create a modern and effective public sector. This reinforces the notion that “governments [introduce] every conceivable measure possible to fix their operations” (Peters & Savoie, 1998: 4).

Regardless the various economic, political, ideological and administrative considerations have influenced public administration reforms in the Cypriot public sector, Christensen and Laegreid (2003) emphasise that it will be possible for isomorphic features, in the form of structural similarity, to emerge, as the actual institutional conditions will have been adapted to such a degree as to exert the necessary pressure for reform to occur.

**R.Q.6. How do these factors contribute to the implementation of the NPM reforms?**

### **6.2.3 The Implementation of NPM reforms in Cyprus**

The findings of the current study indicated that the adoption of NPM practices is a complex procedure, and the use of the component elements of NPM to reform the public sector may be influenced by various factors; in Cyprus both external and internal actors played a significant role in both the adoption as well as the implementation of NPM reforms and it was suggested that NPM reform elements were often externally driven.

In recent years a number of measures have been promoted and piecemeal efforts have been made by the government of Cyprus to introduce management reforms with the purpose of creating a contemporary public service. Batley (2004) state that although in many developing countries NPM reforms have been adopted the applicability of these NPM elements were poorly implemented. The findings of the study support Batley's view and the following discussion demonstrates the various factors which are responsible for this unsuccessful applicability of management reforms in the public sector of Cyprus. First, the socio-economic culture and the Cypriot civil service culture raised the most serious challenge to successful reforms as the Cypriot society is very conservative and that it is very difficult for the public sector to implement reforms. Moreover, the majority of the participants in the present study acknowledged that the effect of Cypriot society on public administration reforms is significant but highly negative towards change due to the conservative culture and, additionally, the civil service culture towards the public administration reforms since civil service attitudes reflect Cypriot society overall, and its inherently conservative response to any effort for change. Second, most of the participants of the present study recognized the negative attitude of the civil service union towards any kind of change. In particular, politicians and public officers expressed their frustration with P.A.S.Y.D.Y.'s strong reaction towards the modernisation and reformation of the public sector. In addition, they referred to their negative role towards the implementation of NPM practices that has no positive results for the civil servants, nor for society in general. Third, corruption and over-politicisation of public administration, and the insufficient institutional capacity is another factor that negatively contributes to the implementation of NPM practices. All the participants recognized that because of the insufficient institutional capacity Cypriot public sector experienced difficulties in the implementation of NPM reforms. The finding supports Sarker's (2006) view that highlighted the necessity of institutional capacity in his study of Singapore and Bangladesh. He stated that Bangladesh did not have sufficient institutional capacity and experienced poor implementation of NPM reforms however Singapore with strong institutional capacity within its public sector, the implementation of NPM reforms was remarkable. The present study also found that corruption has become a critical issue for the public sector, and both bureaucrats and politicians ought to pay greater attention to this crucial phenomenon. At the same time, the results of the study also indicate that corruption is hindering the

implementation of NPM and greater transparency and accountability on the various processes must be enforced. Finally, all the participants stressed the fact that constraining features of the socio-economic culture, over-politicisation of the Cypriot public sector and corruption are considered to be negative issues for the adoption and implementation of NPM reforms and practices in the Cypriot public sector.

## **6.3 Conclusions**

### **Summary of the Research Process and the Aims and Significance of the Study**

NPM reforms have become a global paradigm for governments established over the last two decades due to the changing demands of citizens and the economic crises that have emerged in most developed countries. Although NPM has attracted the interest of many people from several different fields, many of its claims remain empirically untested; the lack of empirical study in the field of NPM in the Cypriot public sector is the justification of the present study.

This study contributes to an understanding of the phenomenon of the introduction and the implementation of NPM practices in the public sector. Moreover, it attempts to produce new findings about the applicability of NPM and what effects the introduction and implementation of management practices from the private sector and NPM are having on current management practices in the Cypriot public sector, considering the different administration systems, cultures and traditions involved. This is the first systematic study to be conducted on NPM practices in the public sector of Cyprus. This research is an attempt to answer these broad questions.

The comprehensive review of the academic literature on the concepts of the public and private sectors, and the emergence of NPM elements, highlighted a number of very important aspects of these topics that appear throughout the study. The chapter pointed out that one of the main objectives of public management reforms in any country is the improvement of efficiency and efficacy of public administration, although the means of such improvement may differ.

The present study was based on a qualitative research approach. The analysis of thematic analysis (TA) as a specific study contributed to this research by providing a

sense of the challenging nature of any such work. A strength of the methodology used herein is that it allowed for the in-depth exploration of a participant's personal experiences and how he or she perceives the world. All nine interviews were analysed carefully and in great detail, as it was felt that thematic analysis (TA) offered the flexibility to deal with the complexities of civil servants', politicians' and unionists' experiences, in order to improve the rigour of the study, and helps both to ensure that participants' experiences were captured and to facilitate a good level of interpretative engagement with the material of this study. The small sample population (9 participants) used was actually a strength of the study, as the purpose of qualitative research is to gain a deeper insight into the issues that are being studied and to ensure that the participants' views are heard (Smith et al., 2009).

It is important to note that during the process of analysis some themes were investigated as they were identified in the literature, and that more themes arose during the interviews with the participants. As I unearthed the themes, I was fascinated to discover the unique experiences of the participants related to the introduction and implementation of NPM in the public sector. I was intrigued to discover what effects the introduction and implementation of management practices from the private sector and NPM are having on current management practices in the Cypriot public sector, considering their different administration systems, cultures and traditions.

The experiences of the participants of this study will have direct implications for practitioners, as well as, for academics, as the aim of this study is to generate a new understanding of the NPM practices undertaken in the Cypriot public sector and the extent to which NPM ideas have been embraced by government officials, politicians and unionists. Finally, the findings of the present study have opened up a plethora of potential areas that could be addressed by future research. Further research addressing the limitations of the current study would also be useful and could allow for a greater capacity for generalisations to occur.

## **Limitations and Strengths of this Research**

The first limitation of this study is that my beliefs, perceptions, values and views influenced my interpretation of the participants' narratives. Therefore, the narratives that emerged from the interviews were developed jointly by me and the participants. I find the particular topic of the thesis very interesting, and I studied it enthusiastically. This was, inevitably, reflected in my interactions with the participants and my interpretations of their experiences. Moreover, the results of the study were highlighted by my own assumptions; another researcher may have focused on different themes. The results of the study can therefore be described as a co-construction of the combination of the participants' experiences, my views and perspectives, and the literature covered. The study is valuable as it provides a profound and rich description of the phenomenon; however, it is limited to only one of many possible co-constructions.

According to Willig and Stainton-Rogers (2008), the descriptive characteristic of qualitative analysis is a primary limitation, as it does not provide evidence of any of the features being studied. Therefore, from a quantitative or empirical perspective, the findings of the present study can be criticised as not being generalisable. On the other hand, a quantitative study may extract different information, being unable to elicit the personal descriptions provided in the present study. I feel that the rich, in-depth information presented in this study is valuable and enables us to comprehend the extent to which NPM practices and management practices from the private sector influence the current management of the public sector of Cyprus, and how the participants understand and have embraced these ideas. I feel that, as a researcher, I collected as many views, attitudes and perspectives as the study could easily accommodate. Common themes were developed from the various rich experiences of the participants in order to stimulate additional research on the topic.

Although the small number of participants can be seen as a further limitation of the study, Smith et al. (2009) considered that a small number of participants allows for further in-depth analysis that might be inhibited by a larger sample. The in-depth and more interpretative analysis allows the researcher to expand on original meanings,

and Smith et al. (2009) prompted analysts to “go beyond” immediately obvious content.

A particular strength of the present research is that it explores the management practices used in the Cypriot public sector through the experiences and perspectives of the participants. The common theme in the different experiences of the participants was the introduction and implementation of management practices and NPM ideas, and the effects of these on current management practices used in the Cypriot public sector.

I have chosen three groups of participants: six public officers, two politicians and one unionist. These three groups were selected because I believe that they are reasonably homogeneous in terms of how they perceived the research question. The number of participants in each group is a possible limitation, as it was not possible to gather an equal number of participants from each group at the time the research was conducted. Due to the nature of their work and their prominent position, especially during the ongoing financial crises, it was difficult to arrange the necessary interviews with the politicians and therefore only two took part.

## **Recommendations**

The participants described the modernisation of the Cypriot public sector as a difficult and complex process. However, the vital engagement of the public officials, the politicians and the unionists in the process of modernising the public sector will be positively implemented in order to reap the beneficial elements of NPM. Therefore, the following recommendations are put forward:

- Corruption must be combated by adopting and decisively implementing recommendations from Transparency International and the Council of Europe in order to ensure transparency, accountability and meritocracy in processes. The Office of the Auditor General of the Republic should submit legislative proposals, framed by legislators and citizens of world-class authority and qualifications.

- The state mechanism ought to be redesigned and restructured in order to eliminate services that are no longer useful, and adapting others to modern conditions. Positions that no longer serve a purpose because they were created during British rule, when the needs of Cyprus' society and economy were different, must be eliminated; public administration departments must be adapted to offer services designed to properly answer the needs of Cypriot citizens. The practice of interchangeability must be implemented, whereby personnel are redistributed, and staff is transferred as necessary to posts in civil service ministries/departments after appropriate training. Tenure in senior management positions could be replaced by contracts. Managers could be appointed with two or three-year contracts that are transparent and have predetermined goals; they could be evaluated annually and be re-appointed only if they achieve these goals.
- A Civil Service Management team may be established, which would have political legitimacy in the government and the parliament, as well as technocratic expertise and transparency. An independent Administration Authority for the Civil Service with modern scientific knowledge could be created to modernise the civil service; it would be organisationally located above the various ministries and would ensure the strategic planning of public bureaucracy. In cooperation with the President of the Cypriot Republic, it could organise the various ministries and adapt the personnel and the size of each ministry according to their needs. Creating strong departments well staffed with appropriate staff and technology is important to implement and sustain reform programs. Semi-governmental organisations could be placed under private law, adopting the standards of administration and service quality of international organisations, and the method of appointing councillors by the Board of Governance could also be revised.
- The System of Public Administration needs to be modernised by adopting modern appointment and promotion systems that require psychometric testing and structured interviews by certified institutions and experts. In addition, the Civil Service Committee (CSC), which is the main body concerned with employment and promotion of civil servants, and whose members are representatives of the various political parties, ought to be disbanded. An



independent and impartial team of experts who will be concerned with employment and promotion of civil servants in the public sector could be established in order to ensure meritocracy, transparency and accountability.

- A reliable, effective and impartial performance appraisal system to evaluate civil servants ought to be designed and implemented. The findings of the study show that the current performance appraisal system is no good and ineffective since it evaluates all the public employees as 'excellent'. Performance management will become an important reform because the current budgetary constraints from the economic crisis would require government to be more focussed on outputs and outcomes. This is another tangible lesson can be taken from the research.
- Private/Public sector co-operative partnerships, contracting out/outsourcing where needed, and the appropriate institutional and legislative framework could be established. Practices from the private sector are making government more business-like, and ways for the public sector to copy desirable and more efficient practices and mechanisms from the private sector in order to save on costs and become more efficient. This is a tangible lesson can be taken from the study and both politicians and public officials play a significant role in the effort of introduction of management practices from the private sector.
- Civil servants need to be trained and new jobs created to deal with the challenges of our time, such as the management of natural resources in the Cypriot economy.
- The prevalent attitude and culture in the public sector should be changed to cultivate a climate for better citizen service and satisfaction. A new attitude and culture may be fostered in the civil service so that the public sector can execute its social role effectively and efficiently: staff should be trained and their culture altered to more effectively respond to the new environment and thereby realise their full potential. The socio-economic culture and the Cypriot civil service culture raised the most serious challenge towards change as it is an important element that has to be considered in implementing reforms and can be considered a tangible lesson.

Based on the findings of the present study and considering the limitation of the study a number of tangible lessons can be taken from this research. To summarise these are:

- In Cyprus, both external and internal actors played a significant role in both the adoption as well as the implementation of NPM reforms. However, the financial crisis the government of Cyprus is currently facing and the financial assistance from the Eurogroup, has led the Troika to exert pressure as an external force, oblige the government of Cyprus to follow convergence towards NPM and the introduction and adoption of management reforms in the public sector of Cyprus. Moreover, the external pressures exerted from Troika should be seen as a catalyst that will oblige Cyprus to establish and implement reforms appropriate for the needs of the public sector, to avoid any opportunity of over-politicisation and corruption of public administration, with cooperation of all sides, government, political parties and other stakeholders. Moreover, Troika will place public finances on a sustainable path that will provide stability and the fiscal space necessary for supporting management reforms. With this, social-culture, administrative and political environments that do influence reform should be taken into account in planning the implementing reforms.
- Restructuring of budgets and the external pressure from the Troika for tighter budgetary allocations is a current reality, addressing the increasing concerns of cost-cutting and doing more with less. The implementation of this policy is very significant issue as Cyprus has to minimise its cost in order to survive.
- This research has shown that over-politicisation of the public administration, politicians' interventions, such as, in the process of recruitment and promotion of public employees, and the lack of a solid institutional framework would hamper the introduction and implementation of such management reforms the adoption of certain regulations. This means that the government has to overcome its difficulties with and eradicate its deep-rooted traditions of political clientelism and party patronage in order to introduce and implement management reforms and NPM practices successfully.

## **APPENDIX I**

### **List of Interview Questions Used During the Interviews – Translated from Greek**

1. What models of public administration is currently in use in the Cypriot public sector in Cyprus?

2. How would you describe the way in which management practices in the public sector have changed in recent years?

3. Could you please tell me, what are the main management practices which have been introduced to the public sector after the independence of Cyprus?

4. Could you please tell me, what do you know about NPM practices and how do you think they have been adopted by the Cypriot public sector?

4.1. What, in your opinion, are the main factors which have contributed negatively to attempts to introduce new public management (NPM) practices in the Cypriot public sector?

5. What is the role of politicians regarding the introduction of managerial practices (NPM) in the public sector? What is their role in the recruitment procedure and promotion of the employees?

6. What is the role of political cultural and other inherent legacies to the modernisation of Cypriot public sector?

7. What, in your opinion, is the role of EU in motivating the government to move towards the introduction of new public management (NPM) practices in the public sector of Cyprus?

7.1. Could you please tell me what are all the stages involved in the process of modernisation of the public sector?

8. Could you please tell me what are all the stages involved in the process of modernisation of the public sector?

9. Which do you think are the main challenges that the Cypriot public sector is currently facing?

10. What do you think are the effects from globalisation and the current global financial crises to the public sector in Cyprus?

11. What are the main differences between private and public sector in Cyprus?

11.1. How can private sector practices influence current management practices and organisational structuring in the Cypriot public sector?

12. Can you tell me, your opinion, about changes such as, management practices from the private sector, decentralisation and downsizing of the public sector, IT networks linking the various departments and other managerial practices? How can be introduced to the public sector of Cyprus?

13. How do you think that quality service to citizens should be improved in the public sector?

14. What, in your view, is the role of CAPA (Cyprus Academy of Public Administration) in the public sector?

15. How can CAPA contribute to the development and modernisation of the public sector?

16. How can CAPA contribute to the creation of new organisational culture and leadership development in the Cyprus civil service?

17. What is the role of unionists PA.SY.D.Y (civil servants union) in the introduction of managerial practices and NPM to the public sector?

- Is there anything else you would like to tell me?
- Has anything been missed that you think it would be important for me to know?

Thank you for your time and contribution.

## **Κατάσταση των ερωτήσεων που χρησιμοποιήθηκαν στις συνεντεύξεις**

1. Ποια ‘μοντέλα’ δημόσιας διοίκησης χρησιμοποιούνται στην δημόσια υπηρεσία στην Κύπρο; Χρησιμοποιείται κάποιο συγκεκριμένο μοντέλο δημόσιας διοίκησης από την Δημόσια Διοίκηση και ποιο είναι αυτό;
2. Πως μπορείτε να περιγράψετε τον τρόπο με τον οποίο οι πρακτικές διοίκησης στον δημόσιο τομέα έχουν αλλάξει τα τελευταία χρόνια;
3. Μπορείτε να μου πείτε ποιες είναι οι κυριότερες πρακτικές διοίκησης οι οποίες έχουν εισαχθεί στη δημόσια υπηρεσία μετά από την ανεξαρτησία της Κύπρου;
4. Μπορείτε να μου πείτε αν γνωρίζετε για το NPM (New Public Management) και πως μπορεί να υιοθετηθεί από τον Κυπριακό δημόσιο τομέα;
  - 4.1. Ποιοι είναι κατά την γνώμη σας οι κυριότεροι παράγοντες οι οποίοι συνέβαλαν αρνητικά στην προσπάθεια για εισαγωγή του NPM στον Κυπριακό δημόσιο τομέα;
5. Ποιος είναι ο ρόλος των πολιτικών σχετικά με την εισαγωγή πρακτικών διοίκησης (NPM) στον δημόσιο τομέα; Ποιος είναι ο ρόλος τους στην διαδικασία προσλήψεων και προώθησης των υπαλλήλων;
6. Πως η πολιτική νοοτροπία και άλλες νοοτροπίες που έχει κληρονομήσει η δημόσια υπηρεσία έχουν συμβάλει στον εκσυγχρονισμό του Κυπριακού δημόσιου τομέα;
7. Ποιος είναι κατά την γνώμη σας ο ρόλος της Ευρωπαϊκής Ένωσης στην παρότρυνση της κυβέρνησης στην προώθηση της εισαγωγής πρακτικών NPM στον δημόσιο τομέα στην Κύπρο;
  - 7.1. Ποιος ο ρόλος του EUPAN στον εκσυγχρονισμό και ανάπτυξη της Δημόσιας Υπηρεσίας;
8. Μπορείτε να μου πείτε ποια είναι τα στάδια που εμπλέκονται στην διαδικασία του εκσυγχρονισμού της δημόσιας υπηρεσίας;

9. Ποιες νομίζετε είναι οι σημαντικότερες προκλήσεις που αντιμετωπίζει ο δημόσιος τομέας;
10. Ποιες νομίζετε είναι οι επιπτώσεις της παγκοσμιοποίησης και της παγκόσμιας οικονομικής κρίσης στον δημόσιο τομέα στην Κύπρο;
11. Ποιες είναι οι διαφορές μεταξύ δημόσιου και ιδιωτικού τομέα στην Κύπρο;
  - 11.1. Πως οι διάφορες πρακτικές από τον ιδιωτικό τομέα μπορούν να επιδράσουν στις πρακτικές διοίκησης και οργανωτικές δομές της Κυπριακής δημόσιας υπηρεσίας;
12. Μπορείτε να μου πείτε την γνώμη σας, για αλλαγές όπως, πρακτικές διοίκησης από τον ιδιωτικό τομέα, αποκέντρωση και μείωση του δημόσιου τομέα, δίκτυο IT που να συνδέει τα διάφορα τμήματα της δημόσιας υπηρεσίας και άλλες πρακτικές διοίκησης. Πως τέτοιες αλλαγές μπορούν να εισαχθούν από την δημόσια υπηρεσία στην Κύπρο;
13. Πως νομίζετε ότι η ποιότητα των υπηρεσιών που προσφέρονται στους πολίτες της Κυπριακής Δημοκρατίας θα πρέπει να βελτιωθεί στο δημόσιο τομέα;
14. Ποιος είναι κατά την γνώμη σας ο ρόλος της Ακαδημίας δημόσιας διοίκησης στον δημόσιο τομέα;
15. Πως μπορεί η Ακαδημία δημόσιας διοίκησης να συμβάλει στην ανάπτυξη και εκσυγχρονισμό της δημόσιας υπηρεσίας;
16. Πως μπορεί η Ακαδημία δημόσιας διοίκησης να συμβάλει στην δημιουργία μιας νέας οργανωτικής νοοτροπίας και ηγετικής ανάπτυξης στην Κυπριακή δημόσια υπηρεσία;
17. Ποιος είναι ο ρόλος της ΠΑ.ΣΥ.Δ.Υ. στην εισαγωγή διοικητικών πρακτικών και NPM στην δημόσια υπηρεσία;

## **APPENDIX II**

### **Demographic Information and Basic Characteristics of the Participants**

<b>Group</b>	<b>Age (years)</b>	<b>No. of years in this position</b>	<b>Department</b>
<b>Group A Government Officials (No. of participants = 6)</b>			
Senior Manager	52	9	VAT Office
Senior Manager	51	6	PAPD
Senior Manager	52	20	CAPA
Policy Maker	61	20	CAPA
Policy Maker	60	5	PAPD
Policy Maker	59	2	Ministry of Labour/Ex PAPD
<b>Group B Politicians (External Influence) (No. of participants = 2)</b>			
Member of Parliament (DIKO party)	40	6	Vice President Of DIKO party (4 years)
Member of Parliament (DISY party)	52	9	Deputy President Of DISY party
<b>Group C Unionists (PA.SY.D.Y.) (Ex. Influence) (No. of participants =1)</b>			
Cyprus Civil Servants Trade Union	55	28	Senior Permanent
<b>Number of Participants 9</b>			



### **APPENDIX III**

Super-ordinate Themes	Sub-ordinate Themes
<p><b>Definitional Issues</b></p> <p><b>NPM Practices</b></p> <p><b>Adoption of NPM</b></p> <p><b>The Traditional Public Administration of Cyprus</b></p> <p><b>The Implementation of NPM Reform in Cyprus</b></p>	<ol style="list-style-type: none"> <li>1. Private Sector and Public Sector in Cyprus</li> <li>1. Private sector style management practices / Contracting Out / Outsourcing</li> <li>2. Public sector decentralisation and downsizing of the government</li> <li>3. Performance management</li> <li>4. Cost-cutting, “doing more with less”</li> <li>5. Service quality to the citizens, Citizen Service Centres / One-stop-Shops</li> <li>1. External pressure for reform (EU) and the convergence towards NPM practices</li> <li>1. The Bureaucratic Model of Cyprus</li> <li>2. The weak Institutional Capacity</li> <li>3. Political Patronage and Clientelism</li> <li>➤ Insufficient institutional capacity and rigid bureaucracy</li> <li>➤ Over-politicisation and corruption</li> </ol>

## Initial comments

Original Transcript	Exploratory comments
<p>I: Which do you think are the main challenges that the Cypriot public sector is currently facing?</p> <p>R: Unfortunately at this point our greatest problem is its size. We have a huge civil service, perhaps the most expensive one in the EU, it is a huge proportion of our population, the public sector constitutes more than 17% of the working population of the country, so we are talking about vast percentages which the Cypriot economy unfortunately cannot support. Therefore our challenge is to find ways to reduce the size of the civil service, and I believe that the best way to do something like that is to make it more productive. This is precisely the question today, to find the ways in which various government departments can become more productive so that we need less personnel. I cannot claim that this effort has succeeded, at least in the last few years.</p> <p>I: What do you think are the effects from globalisation and the current global financial crises to the public sector in Cyprus?</p> <p>R: Globalisation is a general and very broad term, I think the fact that competition between economies and the companies functioning in our country has increased, has also improved productivity in the private sector, perhaps not to the degree that we would like, but productivity in the public sector has not improved at the same pace, and this is a concern, and when you see other countries achieving the same or at least having the same or better administration than us at a</p>	<p>Major issue is the size of the public sector. What is the right size of the public sector in Cyprus and what is the size of the public sector in other European countries.</p> <p>Negative feelings regarding the size which is considered as huge in relation with the population.</p> <p>He expressed anger and frustration towards this issue.</p> <p>Critical issue is the cost of the public sector and the ability to “do more with less”.</p> <p>Public sector is huge and expensive and a reduction in the number of employees is needed by freezing posts in various departments.</p> <p>Previous attempts to reduce civil service staffing have been unsuccessful.</p> <p>Government of Cyprus has to minimise its costs in order to survive. The cost of public administration is a significant burden on the budget of Cyprus’ government; thus, ways to economise and to emphasise efficiency and increase productivity.</p> <p>Important issue is the productivity of the public sector, improving the services’ effectiveness, efficiency, and responsiveness to citizens.</p> <p>To focus on expenditure reductions including containment of public sector wages.</p> <p>To serve its citizens according to their rights and needs.</p> <p>Public sector is huge and expensive and the government needs</p>

<p>lower cost, that allows other countries to spend the money that they save from maintaining their public sector in other areas, such as growth. This causes a series of problems for the Cypriot economy, it causes growth problems for Cypriot businesses, a decrease in income which at the end of the day cause problems for the maintenance of our own civil service. As far as the financial crisis is concerned, government income has decreased by a billion euros, while public spending has increased by a billion euros, unfortunately bringing us to the brink of bankruptcy. If we don't deal with the distance between income and expenditure I don't see how the Cypriot economy can become viable again. Therefore, unfortunately because measures weren't taken when they should have been taken, today we have to adopt even more draconian measures so that we can get back on a viable track. The greatest expenditure is the payroll, followed by welfare, then there is the sponsorship of semi-governmental organisations and municipalities, then pension contributions, those are the main expenditures. If you don't deal with these expenditures which amount to over 60% of the whole budget expenditure, then proceeding with cuts and economising in other sectors won't accomplish much. So if you want to make significant savings, you must unfortunately deal with the expenditure in these sectors. In the last few months we tried to adopt some measures, but unfortunately they may not have convinced the international markets. The problem is that if we don't convince them, we will have a serious problem with financing the Cypriot Republic, and we may reach a point where we need to proceed with firing staff in the public sector, an eventuality which we of course</p>	<p>to take immediate measures for fiscal savings and reduce the public sector wages.</p> <p>Negative feelings, anger and frustration regarding the cost of the public sector</p> <p>The current tight fiscal crisis for tighter budgetary allocations is an opportunity that will necessarily lead Cyprus to adopt and implement public sector reforms that support competitiveness and sustainable and balanced growth.</p> <p>He acknowledged that it is time for change.</p> <p>The government of Cyprus has to minimise its costs.</p> <p>Cyprus government needs to put into practice a process of structural adjustment reforms programmes.</p> <p>Public sector must become more flexible and less wasteful.</p> <p>External pressures reducing budget expenditure are high.</p>
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<p>want to avoid at all costs, as we also want to avoid the possibility of a support mechanism i.e. a bail-out. Because such an eventuality would unfortunately have devastating consequences for Cyprus' effort to remain a robust financial centre which has been the strategy of our country in the last decades.</p>	
<p>I: How would you describe the way in which management practices in the public sector have changed in recent years?</p> <p>R: I would say that in recent years many changes have taken place, mainly due to the EU which shows that only external intervention can change things in Cyprus. It seems that our culture does not promote change or see things critically – there is a critical perspective, but we only act on things when we are obliged to. So for us to be able to make the best of our participation in the EU and to reap some benefits by absorbing funds, etc, we had to apply a new system which is, if you like, a more rationalistic project management system, meaning that one has to tender a proposal for a project, a technical datasheet must then be prepared, involving all those who will be affected, the so-called stake-holders, this is then be discussed and sent for approval, and then it must be approved to receive funding, and then you would need to describe exactly what is needed and put out a call for quotes from the private sector, to find out how your requirements can be satisfied, so there is a process that forces you to put things into a rational order. This method also has its weaknesses, as well as a lot of bureaucracy, but I believe it also has a lot of positive points, but this makes things even more complicated because we see conflict within this project management system, where a team is</p>	<p>Positive impressions regarding the implementation of EU as an external pressure to the government of Cyprus.</p> <p>Europeanization processes have triggered changes in the public administration reform in Cyprus.</p> <p>The implementation of EU is very significant as would pressure the Cypriot civil service to implement and modernise its public administration.</p> <p>International donors played a crucial role in encouraging the government of Cyprus to adopt NPM practices.</p> <p>Frustration as the Cypriot culture does not promote change and does not see things critically.</p> <p>The role of EU is catalyst for Cyprus in order to introduce changes.</p> <p>The current circumstances of the economic crises oblige the government of Cyprus to introduce changes.</p> <p>The implementation of Troika forces Cyprus to put things into a rational order.</p> <p>EU policies positively affected the Cypriot public administration.</p>

<p>designated within a department, with a project manager and team members responsible for the implementation of the project, who are not, however, entirely responsible for the outcome of their project because they are accountable to a departmental manager who is not part of the project, so there are many contradictions at play. However, I think it is a positive development, but the time is approaching when we will have to think about making serious reforms to the overall system, radical changes which I think the underlying economic crisis will force us to make.</p>	<p>Cyprus government needs to put into practice a process of structural reforms and to introduce new management practices within the public sector.</p> <p>Serious reforms and radical changes</p> <p>The current economic crisis is an opportunity for Cyprus administration to implement reforms.</p>
<p>I: How can private sector practices influence current management practices and organisational structuring in the Cypriot public sector?</p> <p>R: We didn't take advantage of that element to a great degree as a civil service. Up until a few years ago we didn't even know about outsourcing or contracting out. It certainly helps, already, despite all its other serious problems, in Greece the majority of such jobs are completed by external companies and through such assignments. Now we've learned a little from the fact that we are obliged to get quotes for co-funded [projects] and we know that we have a given project but that almost 90% of it will be completed by private companies, individual companies. This is certainly good because it frees up resources for the civil service, I mean human resources, and certainly it's an element that deserves further study for many other reasons too. Apart from co-funded projects that we're obliged to do. All right, there are also some weaknesses as far as this is concerned. There aren't many small companies in Cyprus, there are intertwined [vested] interests between private companies, you might</p>	<p>Sceptical thinking about outsourcing.</p> <p>Cyprus government has made just piecemeal efforts to introduce such practices.</p> <p>Expressed frustration that the government were not inclined to assist certain projects.</p> <p>The traditional public administration of Cyprus was plagued by many problems and is a barrier for progress and remains a hindrance in attempts to implement reforms such as the management practices from the private sector.</p> <p>Positive feelings regarding outsourcing and contracting out.</p> <p>Outsourcing is an important issue and it certainly helps.</p> <p>Despite the disadvantages of outsourcing in other countries the majority of various jobs are completed by external, private companies.</p> <p>Expressed positive attitudes as outsourcing and contracting out are valuable practices from the private sector.</p> <p>Outsourcing is good as it contribute positively to the economy, as costs would be reduced and resources freed from the civil service.</p>

<p>bring one in for your general project and in fact be complicit with half the companies that will tender quotes for half of it, because this is a small state and a small place and it's conducive to do things like this. On the other hand though, if you're really economising on human resources and you can complete your projects more economically, faster, and more effectively, then you'll certainly do so. But we hadn't reached this point, we didn't progress to any great degree, we're a little behind, while the private sector finds ways, even, for example, however many companies [deal with] having their buildings cleaned, everything, I don't know, often even secretarial services could be outsourced, they have everything available to them as long as it's economical and as good or of better quality. We [the civil service] don't have this unfortunately. The negative point about outsourcing or contracting out is that there's a great danger and you need to keep your eyes open because as we said, this is a small place, it's conducive to businesses communicating with each other, so there's a danger of prices being raised, there's a danger of your general consultant, who you have for a project, let's say, to push companies to tender offers having given them some inside information that not all the others have. This needs a lot of care and it needs people who can understand, even the civil servant handling the case needs to be a bit streetwise, to pick up on whether some things have been fixed, whether companies have been talking to each other, if there are 5 companies and they've agreed that they'll fix prices over a certain point, this agreement alone raises the price. You need to watch everything step by step. It's necessary because we said that there are many good things about the private sector but</p>	<p>Certain projects could improve public services and be cost-effective.</p> <p>Projects could be completed more economically, faster, and more effectively.</p> <p>Use fewer human resources and are completed more quickly and economically.</p> <p>Expressed fear and concern that outsourcing and contracting out may provide opportunities for corruption and fraud.</p> <p>Negative feelings about outsourcing because of the danger of corruption and fraud.</p> <p>Good practices from the private sector but many drawbacks as well.</p>
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<p>many drawbacks as well, because everything is motivated by profit, only profit, basically there is a danger of being charged far more than you anticipated and [it needs] a lot of caution to avoid mistakes which will then force you to pay compensation or be forced into mediation processes; to make it clearer, sometimes with public works we're dealing with big, serious companies, but which if you don't hold to a certain clause in a contract, they take full advantage of it and can end up costing twice the budget you had for your project, or they can cause social unrest, for example AHK made some deliberate mistakes and didn't include certain labour issues in the agreements they made now for the reconstruction of Vasilikos station, and the unions are threatening strikes, claiming that European workers are being paid half the salary of Cypriot workers, thus taking away jobs from Cypriots. Everything needs to be monitored when you outsource it, you need to keep your eyes open, you need to know the job like the palm of your hand because there is the danger of collusion between them and there is also the danger that some provisions in the agreements you make won't be sufficient, won't be correct, and can lead to much greater expenditure.</p>	<p>Not be counter-productive in terms of the main purpose of the public sector.</p> <p>Overwhelmed with thinking of the danger of corruption when outsourcing from the private sector.</p>
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