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## **Abstract**

This thesis is trying to provide gadgets, tools and information so all the elected presidents, ministers and public managers even public workers and all people associated with the public and financial sectors understand alternative ways after restructuring to function in a better and innovative processes in a long term development .Restructuring financial and public sectors may divided into separate topics analyzing how the situation in Cyprus lead to these results and explaining ways and examples from other countries in a technical way to restructure public services and make them function in a sustainable way.

A lot of managers for sure have a lot of doubts for restructuring with the fear of change but these things need to be changed so to remain in the same levels like other European countries .Government needs to figure ways to increase productivity efficiency through its servants so to start growing in a way of future development .After the crisis happened to big countries like Spain ,Ireland ,Greece and Portugal, Europeans are in pressure to investigate the right tools , channel them through mechanisms and use it to save the euro currency and its value oppose to this global economic and financial fuzziness and stress.

Looking ahead, in Cyprus restructuring the public services and stabilizing the banks with the combination of reduced spending, accelerate operation to boost investment, we can say that there is an exit to the tunnel for this country to have prosperity and return back to growth.

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# Chapter 1: Introduction

## 1.1 Research Background

Over the past 40 years after the Turkish invasion in Cyprus the island started growing in the development and it can be characterized as a miracle the rapid increasable process in its economic history. The economy of the island became very competitive and the investors started flirting Cyprus in a positive approach .In 2004 we became a member of the European Union and have adopted the euro currency in 2008 as the international monetary foundation listed Cyprus in the 31 countries of advanced economies in the world in 2011.(Cyprus profile. 2014)

Figure 1: Cyprus government debt to GDP



Source: Statistical service of the Republic of Cyprus <http://www.tradingeconomics.com/cyprus/gdp>

After the Turkish invasion in Cyprus, economy of the island had been destroyed, leaving GDP about 16.9% and one year later 19%. As the time was passing the economy was growing up rapidly. Massive and differentiated factors helped this rapid growth of the island, from an exporter of minerals and agricultural products and later to an international tourist resort, financial and trade services, real estates, navigation and shipping transportations. Cyprus has the largest ship management centre in the European Union. (Cyprus profile.2014)



Figure 2: Cyprus stock market



Source: Trading economics (2015)

<http://www.tradingeconomics.com/cyprus/stock-market>

The main economic activities in Cyprus after the 2000 decade of a positive growth were real estates and services to an international companies of investment which were attracted from low taxes and friendly business environment offering them accounting and law services. Another activity is the shipping transportation which was indicated the 10.7% of GDP in the year of 2012. The tourist sector started to grow fast since we became a member in the E.U and is shown a solid growth despite the fact of the economic crisis worldwide.

After crisis began in the island and the bail in phenomenon occurred, the financial sector has been destroyed completely with the closing of one of the largest banks in the island and the growth went back in the ages of Turkish invasion .Our public and financial sectors shown their problems from mistakes and bad decisions happened years ago and the government needed to identify ways to restructure these sectors oppose to the big competition exists widely all over Europe and world. Cyprus had agreed to restructure these sectors and implement tough austerity measures from European members to have a bail out of 10 billion euros to be able to pay its debts expecting growth in the late of 2015 and hoping to return to the international markets after four years of exclusion. (Cyprus profile.2014)

Since then Cyprus made a lot of actions to come up with the measures and rules of Europe and we can say that is in a stable progress showing trust from the lenders, country is trying to gain their trust and reliability.

Although Cyprus is in a good direction, a lot of challenges remain in front like the non-performing loans, huge public debt estimated about 120% of GDP, increased unemployment rate, privatisations and disposals of properties of non-performing loans. (Cyprus profile.2014)

The measures Cyprus needs to follow involved in the signed memorandum of European lenders and we need to implement them so to have the liquidity in order to reduce our debts, stabilise our banks in order to be able to return to positive growth.

In the agreement with our lenders is included restructuring the public and financial sectors to produce more with less and offer competitive services to our customers with fewer costs. In my thesis I will identify the problems of public and financial sectors ,express ways to restructure them to produce more with less cost and be more competitive oppose to global economic and financial stress occur now in all countries.

These changes may help Cyprus reduce its debt to increase its capital and invest in sustainable ways to produce a primary surplus and finally help in long term economic development .It could attract investors in order to increase liquidity and stabilise the banking system and all financial services of the island.

## **1.2 Public and financial sectors in Cyprus**

Cyprus is an independent republic after 1960 (British occupation) with a presidential system. The head of the Government is the President who is elected every five years. The Constitution of the Republic of Cyprus is concluded of three powers of government:

### **1. The executive power**

The ministries have the responsibility to keep complying with the laws, ensure security of the state, keep close relationship with other countries and generally to maintain the public and financial sectors healthy. Executive power is performed by the President, the Ministers and eleven members Cabinet. The President appoints the Ministers who conclude the eleven members Cabinet. There are eleven ministries in Cyprus.

## 2. The legislative power

The Legislative Power is performed by the House of the Parliament where deputies can vote or reject the laws.

## 3. The judicial power

The Judicial Power provides justice and controls the Executive Power to weaken its powers according to the Constitution and the Law.

(James Ker-Lindsay. 2006)

### **Financial sector**

Cyprus enjoys sound economic fundamentals with a lot of challenges ahead and hoping prospects in the nearest future .The main reasons of growth are tourism and international business services as we know is an important international center with more than 200.000 companies registered here. The reasons Cyprus attract investors and offshore companies are mentioned below:

- Stable political and financing environment.
- Low tax rate. Avoid double tax.
- Good relation with Russia, one of the best performing economies before the European restrictions.
- Efficient and advanced accounting and legal system.
- Very good quality of life.

The growth was in a good level and the unemployment rate was shown that the economy in Cyprus was stable and in a positive way. But due to exposition of Greek banks we were forced to close the one of the two biggest banks in the island which became a disaster for the Cypriot economy .After crisis began to grow in Cyprus and the bail in situation occurred in 2013 the island started to gain its trust and stability oppose to the European members and started restructuring its economy since three years of recession and closed international markets 2011. (Cyprus profile.2014)

### **1.3 The History of economy in Cyprus**

The economic history of Cyprus started after the independence in 1960 and the Turkish invasion, where the economy of the island had been destroyed. But in a short time the process of development and growth was very fast. Factors that helped this growth was mainly the tourism, financial services (low taxes, European member, currency) and transportation due to the position of the island. Now after the crisis Cyprus will need to identify other ways and opportunities to increase its economy due to the huge debt occurs. The gas in its waters will help a lot, the privatization of some governmental authorities, the attraction of new investors will help to cure the problem and reduce also the high rates of unemployment. Here we can say that it is a challenge and target for the island to have a primary surplus till 2016 to increase its liquidity and stabilise its banking system. (Orphanides. 2012)

### **1.4 The Research Problem**

This research focuses on the problems of public and financial services and aims to explore the key factors of the problems of public and financial services that forced the government to make a deep restructuring and reform. How these problems can be identified and solved, which are the consequences of restructuring public and financial services (positive/negative) and how to avert any barriers or negative effects of restructuring.

The research problem for this research can be formulated as:

*What are the main factors that caused the disaster of the public and financial sectors and how we can solve them?*

The research problem is quite extensive and it is difficult to consider all the factors, together. In order to answer the research problem, the theories regarding problems of public and financial sectors, plans of restructuring, new public management, consequences and barriers of restructuring are explained in the literature review in chapter two, which will lead to extract the effective factors in the problem of services. The study contributes to theory and practice. The findings will help in understanding the theoretical constructs of framework in the problems and solutions of public and financial services restructuring. In practice, the findings will help services in understanding the key factors that influence the need of restructuring.

They will also provide information on the needs and preferences of the potential customers restructuring. Public and financial services can then make informed decisions, thereby providing better services to their customers.

## **1.5 Research Aims and Objectives**

### **Research Aim and Objectives**

#### **Aim**

This research aims to explore the key factors of public and financial sectors, weaknesses and reasons that restructuring prioritise to proceed in this European competition which occurs in recent years. Study, explore and evaluate conditions, propose solutions and improvements.

#### **Objectives**

The objectives of this research are to identify:

- 1) To identify the problems of current public and financial services.
- 2) What is the purpose and tasks of restructuring?
- 3) To assess whether the new public management can be applied.
- 4) To identify the internal and external consequences of restructuring sectors.
- 5) To identify barriers (legislations, politic context, external factors) resulting in the process of restructuring and how to avert them.

## **1.6 Purpose of the research**

After the analysis of the interviews that will be given I'm going to recommend to the managers further points to have in mind and future research to be done in order to help in restructuring and society also.

## **1.7 Methodology**

The research methodology includes primary data that is by conducting six interviews from managers of Banks, ministry of economy and managers from other ministries related in public administration .Also will include secondary data, documentaries from books, journals and articles, prospectus and annual reports from Cypriot Banks, ministries and the websites. The library of the university was used to help me find books, articles and journals regarding public and financial sectors.

The people will be selected according to the level of their position from the public and financial sectors and the faculty of their positions .I will select managers and economic analysts related to management, organization, human resources and leadership.

### 1.8 Outline of the Thesis

This thesis consists of five chapters, as shown in Figure 3. In this chapter an introduction to the research is given, a brief history of public and financial sectors including economy in Cyprus, the research problem is stated and also the aims and objectives of this research. The next chapter presents the literature review and theoretical model developed for this study. In the third chapter, the methodology used for this thesis will be discussed. The empirical findings will be analyzed in the fourth chapter and finally, in chapter five contribution of this study is brought up under conclusions as well as implications and recommendations for managers.

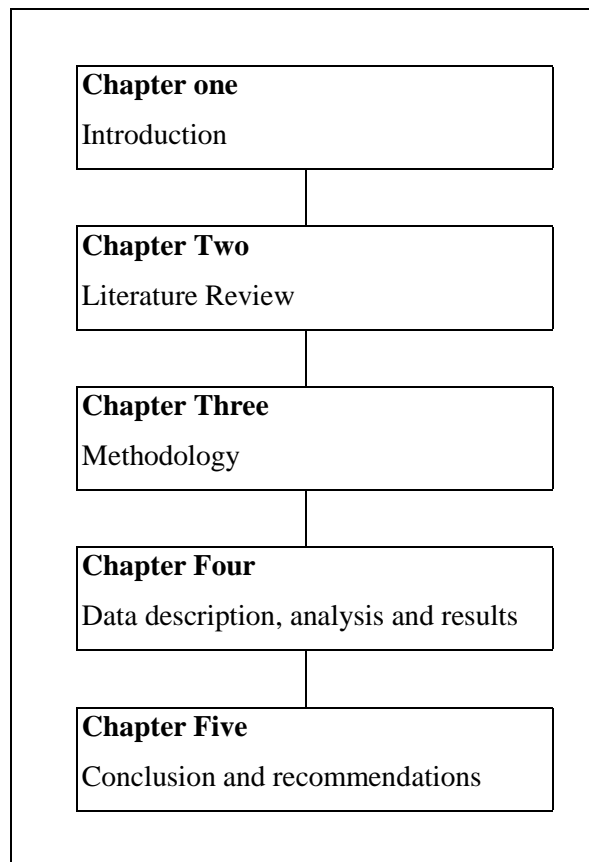


Figure 3: Outline of Thesis

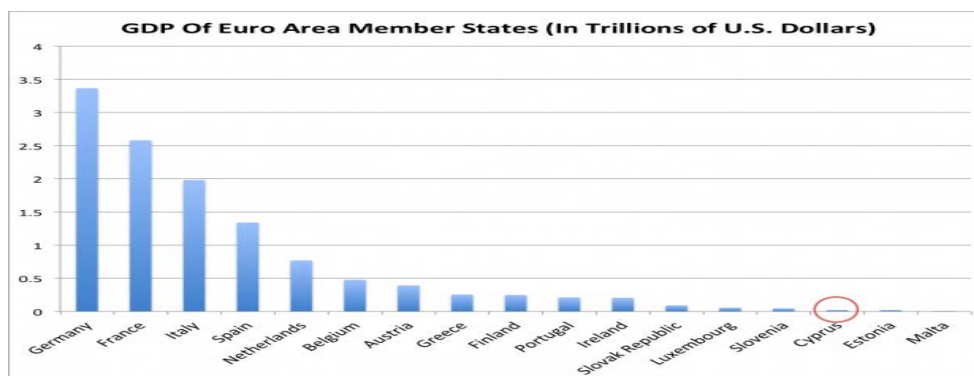
## 1.9 Conclusion

Most of the public and financial services including banks are suffering from problems in the administration, leadership, organization and management .It contributed from the lack of efficiency, performance and productivity. (Clerides. 2009)

Based on my research findings, public and financial sectors have to be restructured and reformed deeply in advance as they are having big and serious problems harming the functionality of the government machine.

Public and financial services needs to have inspection and control so to operate in beneficial way and have a good performance and efficiency, producing more with less resource. According to the analysis of my findings restructuring is the only way to gain production and start positive growth producing a primary surplus oppose to the global financial crisis that brought the island in an economic deficit so far.

Figure 4: GDP of Euro area member states



Matthew Boesler, data from the U.S. Conference of Mayors(2013)

<http://www.businessinsider.com/size-of-cyprus-economy-in-context-2013-3>

## **Chapter 2: Literature Review**

### **2.1 Introduction**

The previous chapter provided the background and problem area for this research. In this chapter the theoretical framework relevant to the purpose of this study will be presented. The whole context contains five directions which can be used to define information and data into how public and financial organizations come up against restructuring and meet new public management. The five directions are: Why public and financial sectors prioritize to be reformed? What are the plans of restructuring and how public and financial sectors can be managed and construct sustainability? What causes the need of applying new public management and what are its benefits? What are the consequences resulting in process of restructuring? How barriers (political context, legislations, resistance) can influence reformation of civil enterprises and how to avert them?

### **2.2 Why public and financial sectors prioritize to be reformed**

As a beginning one point needs to be mentioned is that for every country to join the euro currency needs to meet the following criteria. The annual deficit not to exceed 3% at end of the year, inflation rate not to be more than 1.5 % from the three best performed E.U countries, the ratio of the debt to GDP must not be more than 60% and the nominal interest rate not to be more than 2% from the best three performed countries of the European zone. (Buiter.2004)

The risk for every country has joined euro is that they do not have the opportunity in time of crisis to devalue their currency so to increase competitiveness and the only thing they can rely on internal devaluation which is very difficult. Here is a big point that those countries need to define alternative ways to be more productive and efficient through the restructuring of the public and financial sectors.(McKinnon. 1999, Grafe .2002, Buiter. 2004)

First step here is to persuade public and financial sectors to understand the importance of new public management and its purpose. (Danleavy.1994)



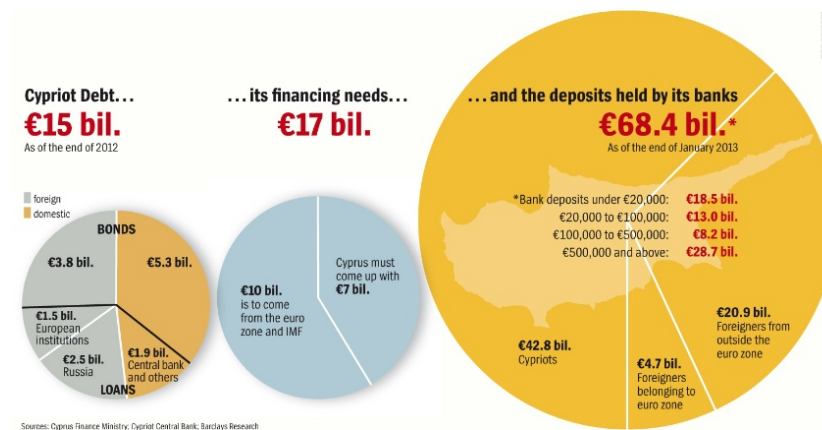
The main objective for public services adopting the new public management is to produce more with less costs so to become competitive. The expenditures of civil and financial services were less than revenues causing troubles to governments and contributes of laying-off employees from services and closing non-profit organizations. (Taylor. 2011)

Bad tactics, practices and wrong decisions have been taken from the past and government carries huge debt loads make them obliged to ask support from the IMF and the European monetary fund (Iceland, Portugal, Greece). (Taylor.2011)

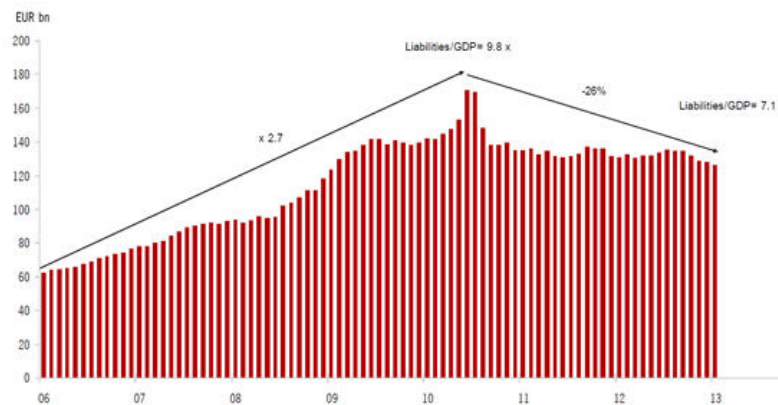
Before crises bureaucracies were efficient and organized making workforce more powerful, safe and productive, providing jobs and stability to the economy. After the recession occurred it seemed that organizational arrangements became more complex and unable to come up with unpredictable crises. In this worldwide competition in economy, fast capital movement, communication and technology gave people more information knowledge and improvements in economy field, resulting for workers demand for autonomy, better working conditions and for customers the need for quality, fast service and more choices in their services provided by public organizations. Unfortunately public services cannot meet their criteria and they are far from their demands. Even after reform the need of restructuring must be continued to be better and better so to be able to solve other problems came up from the recession like unemployment reduction and structural reform of economies in all regions. A lot of countries are suffering from the field of taxes, legislations, labor market trading and internal reforms having a lot of risks and concerns. Crisis pushed governments reform their public and financial services. New public management can improve services and boost for recovery, reduction of debt, strengthen economy and give a hope for a long term growth contributing to a resolution of global economic imbalances.

(Jones, George. 2010)

Figure 5: Public and financial statement in Cyprus



**BANKING SECTOR: TOO HEAVY FOR CYPRUS**



Source: Cyprus finance ministry Cypriot central bank Barclays research (2013)

<http://www.acting-man.com/?p=22475>

### 2.3 What are the plans for restructuring and how public sector can be managed and construct sustainability?

Greece applied austerity measures to restructure public sector. Some of the main measures applied were: freeze salaries, cut salaries pensions 13<sup>th</sup> and 14<sup>th</sup> salaries, increased V.A.T, increased the taxes on fuel, tobacco and alcohol. They applied extraordinary taxes from profits of companies, applied taxes to properties which had high value and increased taxes for those with a specific amount of yearly income.

The average retirement age increased in a way that workers can be able to produce in the age of retirement. This could help raising productivity and labour supply.

Privatisation is a big and important issue Greece committed to apply in order to reduce its debt. (Moravcsik and Tsekos.2009)

Number of municipalities needed to shrink so to be less costly and manageable from district administration .Also they changed the laws to reduce bureaucracy, reduced spending in defence and other less important facilities. Another step was to open up any professions that are closed so to be more competitive mainly in health , transportation tourism. (Moravcsik and Tsekos.2009)

Austerity measures seem to be the tool to press for reducing cost and it will improve competitiveness. This is useful for countries that are economically vulnerable like Greece, Ireland and Portugal. It can help them to gain exports demand and be more competitive.(Matsaganis.2011)

But as the prime minister and minister of finance stated ‘We need to do a lot of changes in the structures of public services to solve radically the problems caused the bankruptcy of banks and government. We need to enhance communication, coordination, cooperation and negotiation with all political parties, European members civil servants , political leaders and managers in order to implement internal reforms , make services work better and reduce massive spending. (Alessi and McBride.2015)

Generally the size of the government can be measured by the employment of public sector (total labour force), the public spending in the gross domestic product and the aggregate taxes in GDP. Smaller government leads to better performance, better efficiency and productivity . Ways to improve performance and productivity are a) to set up limits to government in the supplement of public services and goods, b) develop new reforms and new structures in management of the remaining public services so to achieve customer demands and orientation, c) decentralise public administration (improve effectiveness in public spending), liberalise monopolies and may privatise public services when is necessary achieving better management and profit in a long term period. The right human resource management can provide motives and power to employees in order to have better performance and be more productive.

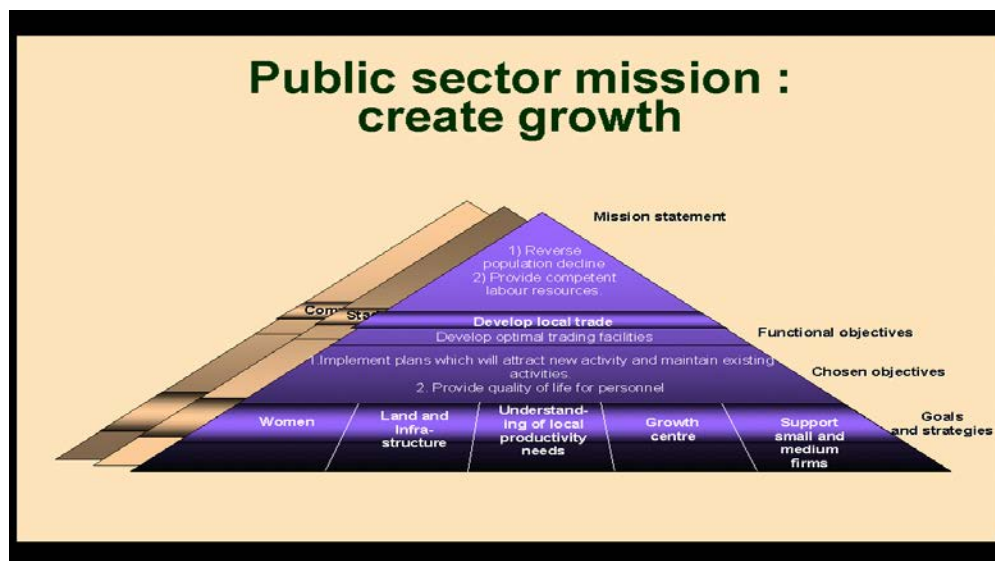
(Handler, et al 2005)

Government needs to implement a good tax policy system so to increase revenues, a stable monetary system will help country to be more economically active .A free trade system will help country to be more efficient economically. Also free market with less bureaucracy in public services can be beneficial in country's economy. Generally reducing the government by small percentage of GDP it can be a very important goal for political leaders as economy can perform better, boost welfare and be more competitive. (Mitchell.2005)

Public private partnerships have become a phenomenon this period and it is very attracting procedure from investors of delivery services from the private sector to the public . The characteristics of public private partnership are a) provision of long term services, b) the risk is transferred to the private investor, c) Private investor has the capital and can invest in innovation and new technology providing services in low prices, d) Public sector has the responsibility to provide the services resulting in economic growth and all services delivered are quality improved. This approach is an innovative tool that it can help the development of infrastructure in each country as it provides capital to repair or update facilities which requires huge cost and societies cannot afford it. Services belonged to public sector provide low quality, low technology and high cost to people and for rehabilitation. That tool will give benefits to the society and value to the public. Delivery of services can be less costly, better performance and any risk caused can be manageable. It also allows the government to borrow capital without affecting its financial stability the called 'off balance sheet borrowing'. It promotes good governance, combines motivations and skills to public sector resulting in competitive and innovative delivery of services. (De Cazalet and Farquharson.2008)

Public private partnership process may increase accountability, transparency, improving people standards of living and society. It will add value, technology and knowledge to its services which previously drawing back in the public sector. Telecommunication technology, information , environmental projects energy plants and programs will be transformed more efficient performed and generate a net revenue for the society. (P.W.C. 2006)

Figure 6: Public sector (mission for growth).



Source: David Beadle in Trondheim at the CEPP European Library Training Programme (1999)

<http://haram.folkebibl.no/html/CEPP.html>

## 2.4 What are the plans for restructuring and how financial sector can be managed and construct sustainability?

According to Taylor (2009) two main reasons brought crisis in banks are the new practices of the banks 'modernisation', allowing banks to work in an international level, observing new methods of profit and the globalization where new practices, new concepts and free market made banks operate in an international market wishing to have economic displacement.

Taylor (2011) argues that government needs to act in a short time to inject liquidity in the banks. As a beginning, the stabilization of financial system in order to restore confidence in economic management. The estimation of recapitalization cost is the most challenging issue so government tries to recapitalise banks and through investors in order to sustain liquidity. Skilled persons with high knowledge, information technology and experienced technocrats in management need to be hired to high positions of banks, including restructuring management, leadership and organization so to perform better, improve efficiency and productivity .

National Asset Management Agency 'NAMA' which first established in Ireland is an agency dealing with risky loan portfolios. It is a group of financial analysts who manage and supervise banks, work in a way to ensure stability, protect depositors and ensure health to financial sector. (Taylor. 2011)

Another solution is the London approach. If a firm is in trouble having bad debts, banks do not press for bankruptcy, try to help them and usually work together taking the role of intermediaries for negotiations. When a big number of trouble firms occur then Asset Management Corporation takes the role, buys any bad loans from them and acts in a way to provide equity to banks and corporations. At the same time is negotiating with debtors. This approach was used in Hungary, Indonesia and Malaysia. (Dudman. 2009)

In Greece government adopted some reforms for the banks in order to avoid take decisions that will harm society due to their own interests. Banks needed to adopt some principles which can be described below:

- Banks operate with healthy commercial and banking principles.
- Use completely the Financial Stability Fund and assure in cooperation with the Single Supervisory Mechanism (SSM), the European Central Bank and the European Commission that will adopt stability of the banking sector and the borrowing on a commercial basis, while complying to EU competition law.
- Precedent non-performing loans in a way that fully considers the capitalization of banks (taking into account the adopted Banking Ethics Code), the operation of the justice system, the situation of the housing market, social justice and any negative impact on the economic situation of the government.
- Full cooperation with bank's management and institutions in order to avoid in the period ahead auctions and divestments of first home in households with income below certain limit, while punishing those who go bankrupt strategically aimed:
  - a) To maintain social support for the government's reform program.
  - b) To prevent further decline in prices of real estate (this would have a negative impact on banks' portfolios).

c) Minimize the economic effects in homelessness.

d) Promoting a strong culture of payment. Measures can be taken for vulnerable households who are not able to pay their loans.

- Align legislation on extrajudicial arrangements with the settings after their adjustment aiming to reduce the risk of financial and payments, while facilitating the restructuring of private debts.

-Modernize bankruptcy law in order to settle and solve any pending cases in relation with financing and economics issues.

(Taylor.2011)

## **2.5 How other countries (worldwide) restructured their public and financial sectors oppose to global economic crisis**

After economic crisis occurred in U.S.A in 2008 lot of countries reacted in a way to stimulate economic growth. In Australia, India and South Africa governments applied measures immediately to control public spending .They reorganized their services, restructured departments and shrined public services. Also they have increased fees, freeze salaries and increased duties of servants. In many cities they have cancelled or slowed down programmed projects. They assigned group of financial officers to examine public spending and reduce expenditures. (Baskoy. 2010)

West Australia has announced cuts, improved efficiency and cancelled capital works. The state of Queensland tried to reduce public spending by decreasing the labour work force with early retirement plans, shrined the government by reducing departments without lay-off employees. Also they proceed in privatizations of five public owned enterprises including port, forest and coal corporations. (Parnell.2009)

The state of new South Wales announced reduced organizations into super departments achieving in reducing spending in IT, workforce labour and targeting to spend less in purchasing goods and services. It aimed to achieve efficiency by implementing better coordinated planning in agencies and reducing employees. Other states of Australia

added investments in infrastructures projects (schools, roads hospitals, education, and health). (Kregel.2008)

The federal minister of finance in Canada used the expenditure management system in order to invest in a sustainable growth development, introduced a new legislation to suspend temporarily any strikes and allowed increase in public service wage. They reduced spending in military services, freeze salaries in all servants including prime minister and senators and improved efficiency in the administration offices by reducing duplication effects. Operating expenses have been reduced in administration (advertising training and travel costs). Government of Quebec proceed with privatizations adopting public private partnership approach for investing in development, road construction and energy plants. (Reynolds. 2009)

In U.K government increased V.A.T, income taxes and minimizing public spending in government departments temporarily. They proceed in cutting specific programs that have been announced so to be able to control the budget deficit. For efficiency reasons government decentralised services and asked departments to remove their offices away from London which is expensive, locating them in other areas. An innovative approach government did was to establish the 'SSDA' social services delivery agency so to have all social services centralised to ministry related in order to be able to control adjustments with updated practices. (Dudman. 2009)

India, South Africa and U.K adopted direct measurements to protect vulnerable society, in comparison with Singapore reacted in a way to keep the jobs in the private sector and increased public sector. U.K was the only developed country adopted privatizations or public private partnerships to provide public services unlike Australia and Canada. (Jha.2009)

In the upcoming years pressure will be more and more as the economic growth is low and the increasing demand institutions of public service will feel huge pressure to deliver more with fewer sources. Public services need to change tactics and adopt the new management practices that have been prescribed in the late of 70's. (Dudman. 2009)



## **2.6 New public management**

New public management which is associated in restructuring, contracting out and privatizations is a new policy of reducing scope and scale of government and improve productivity. According to Reiss (2005) this tool can make public sector improves efficiency and performance .These new management practices will help customer orientation of public administration to be improved. Generally commercial practices of the new management are the electronic government and total quality management. These could help public sector to obtain tools (new information technology, communication and innovation) that will help achieving better government. (Handler et al.2005)

New public management approach came up at the beginning of 80's-00's decades. Its concepts are less government, frugal management enchasing effectiveness, efficiency and economy (doing more with less). Main methods of new public management are contracting out, buying results outsourcing, privatizations of public services, deregulation of economy branches and transferring executive responsibilities to autonomous or semi-autonomous legal. The consequences of public administration are more inspections regarding results and relation between costs and recourses. Also it is observed increase of technology and informatics with fewer personnel and compressed hierarchy. The new values of public administration are professionalism, cooperation, growth, respect, responsibility, innovation, transparency, integrity, meritocracy and extroversion. (Tsekos. 2012)

Table 1: Four levels of possible effects of NPM reforms.

Levels	Possible effects
Parliament	Change in the organization of parliamentary processes Change in parliamentary structures Change in the division of competences and power between parliament and government Change towards strategic decisions
Government and ministries	Change in relationship between ministries and agencies (buyer and provider) Performance contracts as the main management instrument concerning agencies Change in culture toward performance orientation
Agencies affected by reforms	-more scope of action in allocation of resources - change in processes of the agencies - change in structure of the agencies - Change in the culture of the agencies (customer and cost orientation)
effects	- change in output (quality, quantity) - savings - impact on the target groups of the agencies

Source: Stefan Rieder, Luzia Lehmann.2002 (p. 27)

At the beginning of 2000 decade came up the post-new public management approach generally stated some improvements of previous aimed for internal government reformation. Its basics concerns the strengthening of central exercise mechanisms of public policies (recentralization), more coordinated and interconnected government (joint up government), holistic approach to the production of public policies (whole-of-government) and rationalization of government with contributions from the social sciences, and not only from financial. (Tsekos. 2012)

## **2.7 What are the consequences resulting in process of restructuring applying new public management**

An important subject in literature review is to evaluate and examine whether new public management in civil enterprises is effective and observe its opportunities and negative effects emerge in this process.

Miller et al (2008) stated that hybridising is an inventive process. However the application of a new management process can alter not only financial practices and processes but also others like (engineering, medicine, research and development, health, marketing, education and risk management).

It can cause changes, reflections and possibilities to make things better and improve sectors through transformation. (Briers and Chua. 2001)

New public management may help organizations to work efficiently with performativity, better environment in work and customer satisfaction. Usually output of an enterprise is adjusted from the older legislation. So in case of this alteration it may show difficulties in product line. The question here is whether reform can be better if we alter administration and not output because of higher motivation and transparency or better working environment. One may deny success and insist that reducing costs can be beneficial than improve working administration.

Agg (2012) stated 'However if austerity measures are so huge so they can cause a recession it means that less people will work, less people pay taxes causing higher cost in unemployment benefits'. Government will need to pay jobless people, unemployment benefits and public spending will be increased. A lot of people will be fired and most of them will be forced to move abroad to find better opportunities of life. People stay in public services will feel more pressed and stressed from fear of laying-off resulting in negative effects.

Furthermore Reynolds (2009) said that by reducing labour workforce of public and financial services will be an issue in delivery of services. Quality and the provision of service delivery will be reduced, contributing in lower performance and productivity.

Furthermore according to Armstrong (2006) civil servants resist in forming development of accounting sustainability hybrids. Seniority servants work for public services used to show resistance against restructuring because they used to work in their ways and do not have the skills and qualifications to change. They lack of knowledge and in case they need training according to the new practices of management they may refuse.

Unions will have conflicts against government trying to protect human rights in public services and argue of people laying -off . (Syvret. 2009)

In financial sector, banks will be forced to proceed in auctions and divestments with subsequent, people will lose their homes. This effect may lead in massive divestments resulting in declining prices of real estate and it can be considered as a negative impact on banks portfolios. (Taylor. 2009)

## **2.8 How barriers (legislations, political context and resistance) can influence reformation and how to avert them?**

McCaffery (1989) argues that in the process of restructuring managers could face difficulties and restrictions associated with legislations and bureaucracies. Examples of such rigidities are: time consumption without solving any problems, over specialization of functions, tax avoidance, complications and acclimatization of new social and economic conditions. Government needs to solve these difficulties, face new challenges, evaluate and study more about restructuring especially decision makers and leaders in order to manage restructuring in positive view for organizations.

According to study of PWC (2006) some countries needs to change laws and legislations to allow public private partnerships or privatizations operate and invest in civil organizations and public enterprises. Unfortunately investors are not flirited to invest in such countries due to economic uncertainties.

Government meets a lot of issues regarding laws and legislations. Workers cannot be fired or punished in case of any economic crime they may be involved as they are protected from old legislations and labour unions. (Syvret.2009)

Politics and political parties show resistance of restructuring or changing tactics due to political interests. They afraid of losing supporters and none of them are supporting the idea of restructuring as most of political leaders are thinking political cost than national interest. (Jones. 2010)

Finally the answer of a successful reformation and effective new public management usually it is up to political context of each country. (Rieder and Lehmann. 2002)

## **2.9 Research development**

The expected relationship regarding current public management and new public management characteristics, its problems, the reasons of restructuring, opportunities and barriers can be outlined in the following questions. The researcher suggested conducting qualitative research on the bases of interviews. These questions will be examined in chapter four in order to investigate problems and explore opportunities and negative effects of the new public management.

All these information and data should be evaluated and analysed accordingly. This context provides to the researcher information and additional details of how restructuring can be applied, adopting new public management and how to analyse their appearance in practice. Below the research method used in this research is being described with analysis, studies and collection criteria involved.

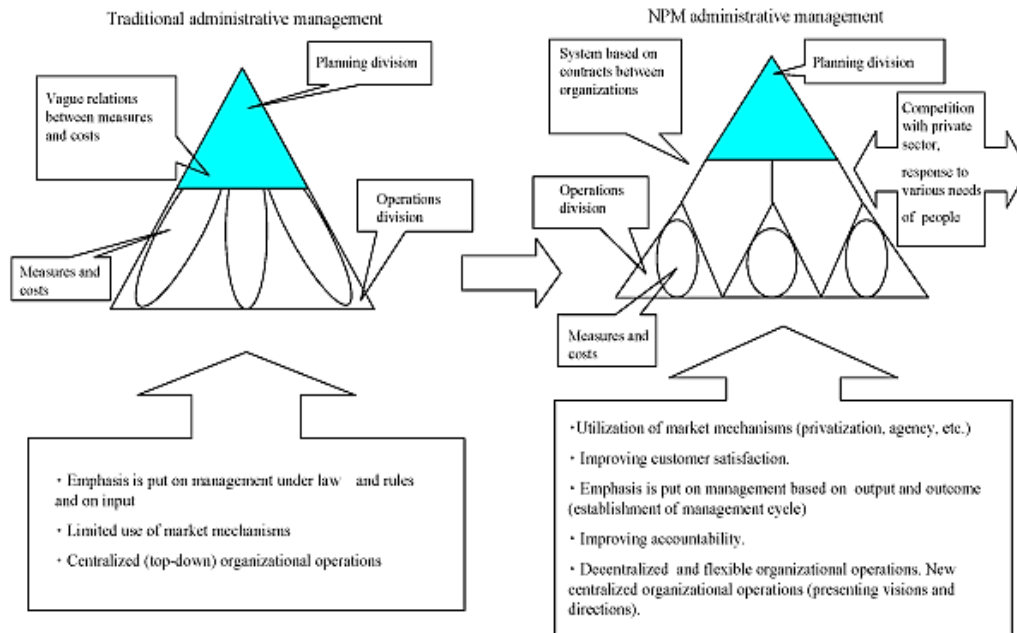
### **2.9.1 Research questions:**

- Why Public and financial sectors prioritize to be reformed?
- What are the plans of restructuring and how these sectors can be managed and construct sustainability?
- What causes the need of applying new public management and what are its benefits?
- What are the consequences resulting in process of restructuring?
- How barriers (legislations, political context and resistance) can influence reformation and how to avert them?

## **2.10 Theoretical development**

The development of an innovative restructuring system, such as new public management, depends on wrong practices and economic factors. It shows an incentive to apply the new public management in Cyprus. However, regarding the situation of Cyprus, the knowledge of the extent new public management practices in public and financial services that are being developed is limited.

Figure 7: Administrative system concept under new public administrative system concept under new public management (NPM)



Source: *New Public Management*, Soshiro Osumi (1999)

Source: (New public management, Soshiro Osumi.1999)

## **Chapter 3: Research Methodology**

### **3.1 Introduction**

This chapter includes the methodology tool that have been used for the research. It covers the research purpose, the research approach and the research strategy and also explains the design of the interviews that have been taken. It also describes sample data collection and data analysis methods truthful and reliability of sources collected.

### **3.2 Research purpose**

The purpose of a research can be exploratory, descriptive either explanatory or policy oriented. As a research changes over time it may identifies more than a purpose. The reader can understand which is the target and direction oriented according to the structure of the academic research. (Eriksson & Wiedersheim-Paul.1999)

Exploratory research may include a search of literature or conducting interviews to a group of people. It can help the researcher to understand better and proceed his research deeply. Exploratory research is focus oriented and sometimes it may provide you answer for specific issues. The aim of exploratory research is to observe any issues and variables. In this research you need to define objectives.

(Eriksson and Wiedersheim-Paul.1999)

Descriptive research purpose is to provide description of any observations of events and facts. The objective of the data found may describe and map some important information and significant phenomena. It can compares objects belong to the same family and can provide to the researcher important results in order to create his own opinion. (Cooper and Schindler. 2003)

Explanatory research targets to define explanations of the nature of determinate relationships. Testing hypothesis may gear a comprehension of the relationships occur between variables. According to Zikmund (1984) the level of uncertainty of a research problem defines the research methodology.

Policy-Oriented Research aims to define how it can solve an issue exist or anticipate it. For example, the researcher can define problems, observes solutions and prevents any specific issues. Taking into account that this research requires explanatory research in a definitive way and theoretical foundation. (Lewis-Beck et al 2004)

The research purpose of this thesis indicates that this study is mainly exploratory, targeting to make the researcher understand deeply the problem so to focus in some specific issues of restructuring public and financial sectors. It also provides answers and solutions for the specific issues the researcher has defined. Since towards the end of the thesis, conclusions are presented in order to explore the effects of restructuring perhaps these can be negative or positive and how to prevent negative effects whether they exist.

### **3.3 Research approach**

The research includes theory. Theory may be done or not clear in the design of the research. It can be made most of the times based on the observations and the results defined. The level which theory can be clear at the beginning of the research related to the design of the project. Research approach can be divided whether this is a deductive or inductive. Deductive is when we develop a theory and /or hypothesis by testing these according to the research strategy imposed. It proceeds from theory to valid data collection (quantitative), explaining relations between variables and choosing data samples to generalize results. *Inductive* approach, is when we collect data and information and after the analysis we develop the theory. It emphasizes in deeply understanding the subject and the collection of qualitative data.

(Holme and Solvang. 1991)

This study adopted an *Inductive approach* because it has proceeded in conducting interviews with a set of questions based on literature review.

The methodology for conducting research called mixed methods involves collection analysis and qualitative (focus groups interviews) research. This approach can be used when we need to better understand the problem and issues of the research.

**Quantitative research approach** includes information transformed to numbers and it can be analyzed statistically. You input a large number of entities with few variables. To define answers to the problem you may use surveys. This approach is widely used when you conduct a research with a large number of units. (Holme and Solvang. 1991)

**Qualitative research approach** comprises a specific understanding of the relation between issue and method. (see Becker 1996). Include deeply understanding to the phenomena that have been studied. The characteristics of these studies are based on the



description of the research and the fact that with few entities you may investigate a several number of variables. In a way to gather high quality of data here is better to use case studies and interviews where no any alternatives can be provided.

(Holme and Solvang. 1991)

The qualitative approach was found to be more preferable as the information can be better understandable. Interviews will be conducted with few entities and have the opportunity to investigate a lot of variables.

The intention of this study is to collect data, analyze them, identify detailed information of data and use qualitative approach as it seems to be more suitable for my case.

The design of the interviews will affect the response rate of high positioning managers in public and financial sectors collecting primary and important data.

### 3.4 Research strategy

There are a variety of approaches for the researcher conducting data. Those approaches are chosen according to the question's character and are been described to the table below:

Table 2 .Research strategy in conducting data

<b>Strategy</b>	<b>Form of research question</b>	<b>Requires control over behavioral events</b>	<b>Focuses on contemporary events</b>
<b>Experiment</b>	How, Why	Yes	Yes
<b>Survey</b>	Who, What, Where, How many, How much	No	Yes
<b>Archival Analysis</b>	Who, What, Where, How many, How much	No	Yes/No
<b>History</b>	How, Why	No	No
<b>Case Study</b>	How, Why	No	Yes

Source: (Yin. 1994)

Since this thesis aims to find the problems of public and financial sectors, how to restructure them and which consequences resulted from restructuring. The strategy most suitable for this study is the interview. It is a technique which information and data collected from people through interviews. (Yin. 1994)

### **3.5 Data collection and data presentation**

Data collection method is related to the methodology that has been chosen (Saunders and Thornhill.2000). Interviews provide information taken from participant's experiences and viewpoints of a specific subject .Interviews are paired with other of data collection in order to provide the researcher more detailed information for analysis. After data will be collected, they will be analyzed for explanatory purposes as they will be based on interviews. (Turner. 2010)

After conducting interviews, the interpretation of data proceeds. In this stage the researcher may divide data into sections or group of information. Based on their evaluation the researcher then determines the quality and effectiveness. The researcher then could employ a non- participating researcher to provide suggestions and a constructive feedback. (McNamara. 2009)

### **3.6 Preparation of the interview .Sampling method**

Here we need to mention the importance of preparation of the interview as it can maintain the focus of the interview operation and take the maximum benefit in the research study. For the preparation of the interview process eight principles are following:1) setting with diversion, 2) explanation of purpose interview, (3) confident term direction, 4) explanation of format's interview, 5) define interview duration, 6) inform them to stay in contact, 7) before the interview starts, ask for any queries, 8) do not have in your mind to recall their answers. (McNamara. 2009)

The selection of participants is very important according to Creswell (2007) as he proposed that the researcher must utilize one of sampling type strategy as a criterion so to obtain qualified candidates in order to give him the most credible answer for the research. Also another criterion is to select those that are characterized open and honest persons, they can share easily information or their experiences and the interviews should be conducted in a pleasure environment so candidates feel comfortable and not restricted when they will share information.

### **3.7 Interview design**

A qualitative survey has been conducted with six candidates. It has taken place in Nicosia on March and April 2015. It has been conducted based on interviews. The interviews had 5 questions. (See Appendix A)

The sequence of questions in the interview is to follow a procedure to make candidate involve in the interview as soon. First you need to ask about some events and after about matters. Through the interview questions must be inter-personal fact –based and questions asked first about present and after about the past or maybe the future. Finally the last questions must be an opportunity for the respondents to express any feelings information they want to add and impressions for the interview. (McNamara. 1999)

### **3.8 Types of qualitative interview design**

Types of a qualitative interview are following:

Informal or conversational interview: Which no prepared questions involved to the participants so the interview can remain adjustable and more open to the participant's character.

General interview: This approach aims to ensure that the information selected from the interviewee are from the same general direction. This approach aims to be more focus and makes the participant to give information with freedom and adjustability.

Standardized, open-ended interview: This approach gives to the participants opened questions and provides faster interviews which can be compared and analyzed easier than other types of interviews.

Closed, fixed-response interview: This approach aims to provide same questions to all interviewers who have the choice to provide answers among a set of alternatives. This type is useful for participants who are not practiced enough at joining to give any type of interviews. (McNamara.2009)

### **3.9 Suggestions for conduction qualitative interviews**

Based on research available we can examine ways to conduct qualitative interviews. According to Creswell (2003,2007) a set of suggestions aim to provide a well-structured and professional interview with the participants needed. Those include the preparation of interview, provision of effective research questions and the actual implementation of the interview conducted.

### **3.10 Pilot testing**

Important tool for conducting an interview is the pilot testing which helps the researcher to define if exist any flaws limitations or weaknesses and allows the researcher to make the necessary adjustments to fix any issues. According to Kvale (2007) pilot testing checks if the participants are connected between them (similar interest). It also helps the researcher to prepare the questions needed in the next chapter.

### **3.11 Constructing effective research questions-Useful research questions-Follow-up questions.**

Constructing effective research questions is one of the most important elements in designing interviews. Researchers aim to provide the questions prepared in a way to take from participants the desired information, experiences and knowledge. According to McNamara (2009) suggested some principles to help the researcher fulfils his target.

(a) Allow participants to answer in their way and their own opinion, (b) questions are better not to target someone or blame someone so the participants to be able to answer with spaciousness, (c) ask one question at a time, (d) participants should be asked clear questions, (e) take care when you ask the ‘why’ questions.

McNamara (2009) argues that it is better to ask open –ended questions and construct the question in a manner so not to give similar question to participants.

Creswell (2007) also suggests that the researcher should be flexible when asks questions letting the participant not to answer directly and he may do it in other question later. Creswell (2007) believes researcher should construct follow-up questions so to have the maximum of information needed. This will help to reduce misunderstandings, make respondents to understand better and the researcher to extract all information needs.

### **3.12Implementation of interviews**

As for the implementation of interviews process some recommendations below are very important for the researchers.

We need to ensure if we use recorder that is working properly, at a time ask only one question, better to remain neutral, show to respondents abetment, take care when taking notes from the respondents, provision of transitions to interviewees when we are

changing subject or topics and we need to avoid loosening control when we are interviewing because of any circumstances occurred.

### **3.13 Interpreting data**

The final stage in the process of designing an interview is the interpreting of data collected. Here researchers needs to figure out what data did not select and divide data into sections. Those sections may be phrases, expressions common among respondents. Some researchers employ a consultant who makes a revision these sections so to define the effectiveness and quality of interview. This can help to reduce any over-analysis of data has occurred. Some researchers could choose repeat process review where consultants who did not participate in the research can give any feedbacks or suggestions to the main researcher of this study. (Creswell.2007)

## **Chapter 4: Data analysis and Results**

### **4.1. Introduction**

In this chapter, the findings and discussion will be presented and analyzed based on the results from the six interviews have been conducted from managers of public and financial sectors in Cyprus.

### **4.2. Findings and data analysis**

In the process of conducting interviews I have interviewed six managers from the public and financial sectors in order to help me develop ideas and facts about the restructuring in Cyprus. The questions were five and from the data received from the managers were framed among the literature review.

#### **4.2.1 Problems of public and financial sectors**

Regarding the problems and the need for restructuring of public and financial services, interviewees mentioned problems that were similar from literature review. They mentioned that revenues were far from public spending causing a huge debt to government (E.E). Further according to (SS) leaders abusing their power as they were operating with faulty tactics and bad decisions which caused massive spending, following the huge debt that became unsustainable. Also (EE) stated that bureaucracy was an issue, causing more time and more resources to deliver services. He added that there was no flexibility on services, economic functionality and priorities are changing over time rapidly in this financial challenge we are oppose and this is the main reason that we need to restructure our services. In relation with that (EL) said that the current conditions of globalization and economic crisis demand new skills, new methods, new practices, tactics and generally different public services.

#### **4.2.2 Restructuring public sector**

Regarding the plans for restructuring public sector in order that can be managed and construct sustainability managers agreed that services need to be decentralized, shrink (technical services be a department to only one ministry) as much as they can be and most of the services to be privatized in order to reduce spending in (transferring, wages, service citizens), reduce the cost of operation and become more manageable, productive and sustainable.(MM), (EK), (EL). Legislations need to be changed and as it needs the

approval from political members so a cooperation and synergy from all political parties and stakeholders involved to be able to approve legally the plans for restructuring.

As for the management (EL) stated that government needs to use co-financed projects in order to strengthen administration ability of departments and leadership. Also an organized and experienced human resource management can make services work better by implementing better evaluation and measurability for the workers, their skills and performance so to improve efficiency, production and motivation for promotion. As for the public private partnerships (MM) insisted to make as much services as we can privatized or under the public private partnership approach, open the market for more enterprises to enter in order to become cheaper and more efficient. Regarding the plans and targets of South Wales, (SP) mentioned similar tasks about public sector to set goals and objectives for services, make plan according to the additional staffing of services and plans for new programs in relation with modernize challenges regarding the new social problems we face.

Also according to (EK) we are in process to shrink technical services into one ministry so to reduce costs. Further actions which are under study are the possibility to reduce rents for accommodation of offices, departments, reduce transportation and save time. Also by implementing flexibility approach in public services it can help to transfer personnel in other services, implement flexible arrangements in time schedule so to reduce cost and time.

Table3: Steps for successful Public private partnership

Steps for Successful PPP Capacity-Building
-skills
-Institutions
-Private Sector
-National Training Program
-Multilateral Cooperation

Source: PWC .2006(p.24)

### 4.2.3 Restructuring financial sector

Regarding the restructuring of financial sector managers in the field of banking and finance agreed to have a stabilized system in the banking sector, inspection and control in the high level, risk management loan portfolios with zero tolerance and the presence of expert managers in the field to have a strong organization and a complete

management. Also they are in the process to arrange bad loans in a way to have some income in the banks through divestments/auctions.

#### **4.2.4 New public management**

As for the new public management and its benefits (EL) mentioned a lot about it related with academics that this new approach is about the deregulation of government, entering new technology (e-government), improves efficiency and production enhancing with quality of work. Particularly new public management includes flexible practices of work focus on results, performance, efficiency and effectiveness. Generally you do more with less, making services to become more productive with less cost. Privatizations also are included in this approach.

In Cyprus they have been informed about the post new public management which according to the characteristics of each country they develop mechanisms of this idea more related to the strengthening of central mechanisms of public services (recentralization). (EL) mentioned that the post new public management adopts new values to services and citizens participation to government (cooperation, transparency, equality).

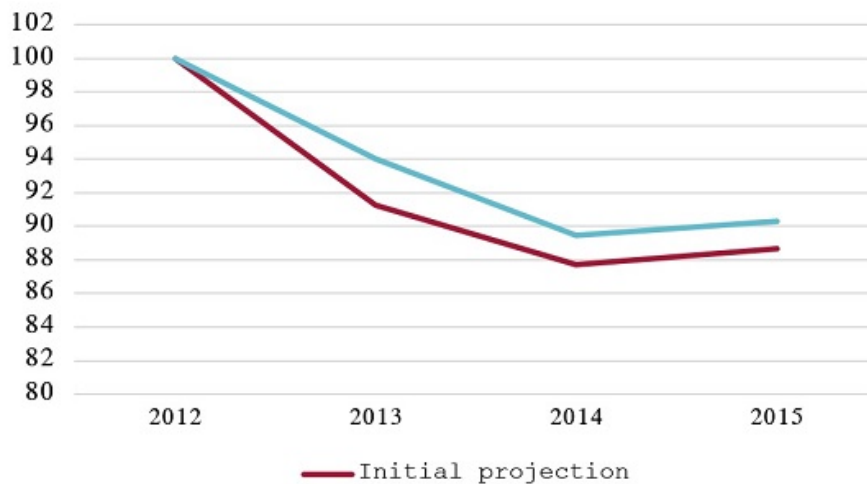
#### **4.2.5 Consequences of restructuring**

About the consequences of restructuring (EL) stated that it may help to improve efficiency, measurability and quality of work. Public services will have skilled servants resulting in personalized public service with more anthropocentric management. About negative effects in restructuring, for sure will show resistance of change a considerable amount of people due to mentality and culture. Phenomena of resistance will be shown especially in older servants due to lack of knowledge, information and bias.(SP) Workers and labor unions will resist even if it is better for tax payers and citizens trying to protect employee's benefits and human rights.

In the banking sector despite the employee's resistance of change, another group of people will resist, the clients which are difficult to change practices in a short time period. Banks following restructuring process and applying the institutions will be more profitable looking for long term profits ahead and with an operating sustainable system.



Figure8: Cyprus real GDP



Source: The Economic Adjustment Program for Cyprus, Occasional Papers 149, May 2013 and European Commission Economic Forecast Winter 2014.

#### **4.2.6 Barriers/ways to avert them**

The barriers services used to face in time of restructuring are connected with legislations which seem to be the main important issue as we need to approve them from political members in order to implement restructuring practices. (EL) stated and agreed with the approach of the leader who needs to find ways through innovative ideas and dialogue in order to persuade political parties and stakeholders to approve legislations. We need his ideas to find a way to cooperate with them in order to approve legally the plans of restructuring. According to all interviewees political members play important role for the approval of legislations for restructuring of public services (despite banking sectors which are in-dependable) as they take decisions according to political interests or due to secularism.

The above data and information from interviews I have conducted consort with the literature review. It means that the literature review provides exactly the necessary data that makes my thesis understood from the reader.

#### **4.3. Detailed comparison of data interviews**

According to the six interviews that have been conducted with managers of public and financial sectors somehow they agreed between them and as it makes me understand they have knowledge of restructuring, new public management and they are positive in this approach. Also their suggestions and opinions are directed in the same dimension

for restructuring and are targeting in negative consequences to the resistance of a group of citizens due to their mentality and culture.

#### **4.3.1 Problems of public and financial sectors**

Regarding the problems of public and financial sectors interviewees agreed to the fact that the staff of services is not hired targeted according to qualifications, skills personal characteristics. The evaluation of employees is not objective and meritocratic resulting to the fact that a lot of civil servants lack of knowledge, skills and experiences contributing to low production. Also they added that public services are suffering from low efficiency, low quality, bad management and obsolete infrastructures. A lot of problems and malfunctions occur, bureaucracy which is not needed, delays and low performance from personnel.

Regarding the banking sector the related interviewees insisted that the main problems were lack of inspection and control from Central bank, the risky decisions banks were taking and the zero tolerance from risky loans (no risk management). Also they involved political and ethic systems and faulty tactics/decisions from leaders without following the institutions. In this subject it needs to be mentioned that related interviewees to the field of finance, stated that management was not the main problem of banks.

#### **4.3.2 Restructuring public and financial sectors**

Regarding the tasks of restructuring and managing services in order to construct sustainability interviewees mentioned that government needs to shrink in smaller departments and if it needs to close departments which are not profitable. In this context privatizations is one measure to contract out services from government in order to reduce the costs of operation of services. This can be achieved by decentralize public services in order to have better inspection and control. The evaluation of employees needs to be more meritocratic, enchased by motivations through promotions according to criteria of skills, qualifications, knowledge and not by seniority. In addition interviewees introduced new technologies (e-government, ICT), flexibility arrangements like time schedule, staff transferring to other services so to reduce public spending and costs. Skilled and experienced management is an important task in order to be able to set targeted goals and plans in services to improve quality and performed services. In financial sector the related respondents mentioned that the main tasks to make banks work better are to bring stability to the banking system through inspection

and control in all operations(bills ,transfers, measurability of the staff) and the application of the risk management(zero tolerance) in all financial cases. The evaluation and promotion of employees is in a process already and managers are about to apply a new tactic so banks become profitable in a long term period without thinking the easy profit like before, causing the bankruptcy of banking system.

#### **4.3.3 New public management**

About the New public management and its benefits, interviewees had knowledge about the new management practices which its basics are measurability, management and market. These basics will help to improve efficiency, performance and production of all public and financial sectors. Flexibility methods may help implement all targets and quality of work will be improved. Measurement approach will help measure the work done from high positioned levels till lower, the production and time spending.

This new practice provides training to managers in order to develop the role of leader and manager staffing. They added that technology (e-government) could help services to be more efficient but it needs more modernizations due to the fact that public services still operate in old fashion. Privatizations are included in this practice in order to let services in the hands of private investors. Here we had one different opinion from a related to the field responded who stated that new public management may not solve all the problems and introduced the post-new public management which is an updated idea for better service ethics and transparency, concerning new values to government and citizens participation to services. This idea provides hard core to government mechanisms giving emphasis in coordination, interconnected governance and holistic approach in politics production. As for the banks managers took some seminars involved risk management, practices and tactics in order to canalize the staff to accept restructuring. In addition they mentioned that the managers have been trained in security software systems for better results and better control for clients. In the level of clients managers learned how to treat them and persuade them in order to trust banking system again as clients have lost their confidentiality of all the Cypriot financial system.

#### **4.3.4 Consequences of restructuring**

Furthermore regarding the consequences resulting in the process of restructuring it is observed that most of the interviewees mentioned mainly the resistance from the employees to implement those strategies and practices of new public management, due

to culture and the mentality of Cypriot citizens and especially from the senior servants due to lack of knowledge of technology and bias. Also political leaders and parties will deny approving legislations for reformation due to political interests. Labor unions will resist as well trying to protect benefits and human rights from employees resulting in phenomena of strikes and demonstrations. As for the opportunities, respondents have given more data regarding the advantages for restructuring. It will improve production, efficiency and performance in the services providing motivations to the employees due to flexibility approach and new technologies (e-government, ICT) achieving the modernization of services contributing to the provision of quality services.

The cost of operation and staff expenses will be reduced and services will construct sustainability. High positioned managers will be skilled and qualified .Furthermore we can attain equilibrium between public and private sectors (counterpoint treatment, promotion prospects).

Banks will be more profitable enched with sustainable functionality and healthy banking system adopted from a well-constructed management. It will be an opportunity to have right institutions, good practices and tactics for a healthy operation of banks. The approval of legislations for divestments will be a benefit for banking system to remain healthy from bad loans.

#### **4.3.5 Barriers/ways to avert them**

Finally regarding the barriers of restructuring, interviewees mentioned political context, legislations resistance and bureaucracy as the basic obstacles that delayed the reformation. Ways to avert such barriers are that citizens and political leaders need to change mentality and understand the need of restructuring and its purpose. The president needs to invent innovative ideas and through dialogue to persuade political members that he can manage the change with the cooperation of all persons related, stakeholders, political members in order to be able to approve legally the plans for restructuring .Also another solution is to marginalize those who resist in change (clients and employees) in order to proceed restructuring which has been approved that is for our own good.

Due to European obligation it shown to be a lever to restructure our public and financial services due to the fact that without implementing reformation we will not receive further financial support.

#### **4.4. Opinions and suggestions from interviewees**

After the interviews finished, interviewees have been asked opinions and suggestions regarding restructuring.

(S.P.A) argues that basic elements afflicting are the faulty evaluation system in public services which creates problems to employees who offer creation and efficiency particularly to their incentives and motivation. This phenomena resulting to all workers have low performance in public sector.

As for the tasks of restructuring (S.P.A) stated that public services need to provide incentives and opportunities for constant evaluation of services and employee training.

(E.E) said that we need to change culture and mentality, think the future, environment, the new generations but unfortunately we do not. We learn to think money as a criterion. We need to follow the best approach perhaps difficult but best for public interest.

(M.M) argues that we need to have small government and privatize a lot of services in order to reduce our costs. Public services need to work with the same methods like private sectors and have a social character in order to support people who need help but tax rich people, give motivations in order to make people work and change mentality to people through knowledge, education.

Regarding the new public management (E.L) suggests following the post -New public management according to the mentality and culture of our country in order to correct wrong tactics and practices and replace them through new public administration. In addition we need to have some-way a complete government system so to maintain the inspection and control of the society, recentralize some services in order to have holistic inspection to the government system and all citizens participate to government's project and strategy.

Negative effects of restructuring for sure will exist as (E.K) found stilted and lengthy the procedures of restructuring generally. For example shortening technical services have not been decided yet due to the fact that advancement of structures in public services prioritizes than the public interest.

Instead regarding the opinion of (S.S) thinks that crisis can be an opportunity in order to work properly and we have approved that Cypriots are able to work properly and we have future if we understand that we need to change mentality for our own good. She

argues that we have future in this island if we all understand that restructuring will be beneficial for us and for the next generation in long term period.

The opinion of (E.E) regarding resistance to change as a barrier in reformation is that restructuring is a matter of mentality of social nature. If citizens think wrong it is difficult to change something. We learn by our culture to want something easy and direct profit without thinking future investment.

## **Chapter 5: Conclusions and Recommendations**

### **5.1 General Conclusions**

As shown in data presentation section, the findings of the interviews show that problems of public and financial services are known to interviewees. They have knowledge from all issues and tasks for reformation of public and financial services as their revenues have been declined and public spending have been increased.

(Jones. 2007)

An indication that restructuring process is still in its early stages for public services and all related fields (municipalities, departments, authorities of electricity and telecommunications) indicating that no pressure exist from government to proceed in most suitable actions in order to produce more, unlike other governments press services to increase their revenues and improve performance following the new public management approach.( Handler.2005, Jha. 2009)

Banking sector has already proceeded in restructuring as the same procedure followed the banking sector in Greece which has implemented a variety of measurements in order to have a sustainable and healthy functionality. (Taylor.2011)

As the time passes citizens, employees and managers understand the purpose of restructuring and adopt this approach, its meaning, purpose and its plan but due to their mentality and culture in this country people need a predetermined time. The reasons contributed to the bankruptcy of all services were bad practices, tactics, mentality and culture from Cypriot people and omissions in legislations and institutions. Instead for other countries according to Jones (2010) reasons were competition, political changes, tax reductions and government's changes in funding priorities.

In addition it needs to be mentioned that respondents have stated ways to transform services profitable but none introduced any measurements how to help and protect vulnerable people who suffer from crisis as the plan and strategy of government is not only economical but also social. Unlike U.K has taken direct measurements in order to protect vulnerable sections of society as Dudman (2009) stated.

When approaching bank managers to conduct them interviews, they avoided or denied share any data or information regarding restructuring banks due to unknown reasons as banking sectors are considered to be private enterprises.

From data received from interviewees it made me observe that the related managers of services have ready measurements for restructuring to be implemented and insist that in our services we have skilled and high educated managers with a lot of qualifications, ready to direct services in the right dimensions so to work properly and construct sustainability. But we have not any experienced managers in order to handle situations of economic deficit and manage services in any financial imbalances in the nearest future as Jones (2010) said ‘‘Many public officials or managers now in office have little or no experiences with serious restructuring of government. Thus we are left to wonder not only how well present challenges will be managed but whether the lessons of success and failure resulting from attempts to cope with current circumstances, will be learned and internalized so that we may manage such conditions better in the future’’.

Furthermore it was identified that institutions and legislations are unavailable, services lack of new technologies and operate in wrong practices and tactics. Employees do not follow the necessary trainings for improvement in order to develop knowledge and services operate with a lot of malfunctions. Services do not perform well and they have lack of efficiency and production. According to Handler (2005) all public sectors in euro area countries perform poorly and do not produce considering their size.

Finally it seems that basic problems contributed to these economic issues of our public and financial services are the culture and mentality of Cypriots, as from past we learn the easy profit without working hard, we learn to search for easy directions for career, promotion and support, vote political members wrongly due to personal interests. In addition all services lack of inspection and control, accompanied with wrong aged institutions, no strict laws and legislations with a lot of omissions. Managers who used to take important decisions were not experienced to handle economic crisis and deficits and finally political leaders who approve the legislations for restructuring or any occasions related with public interest are tangled or related with oligarch’s interests and they do not act regarding country’s interest than personal or business.

From interviewees it was observed that crisis may be an opportunity to restructure our public and financial services, reform legislations and institutions, apply inspection, strengthen our financial system hopefully achieving a strong economy and have a succeeded European plan and strategy as Taylor (2011) stated ‘Although, the Eurozone crisis reveals opportunities to greatly strengthen the financial and political ties of the European Union, the test is if the EU will make the difficult decisions to save and



strengthen monetary integration, or accept the dissolution of the Eurozone as a potential consequence.'

## **5.2 Recommendation for improvements**

The central goal of this research was to identify the main reasons contributed the need for restructuring in public and financial sectors in order to analyze them and identify solutions together with plans and strategies. Identify the purpose of new public management, study the consequences resulted from restructuring and try to avert any barriers or negative effects may occur.

Government and spending must be reduced. In agreement with Jones (2010) approach we can create innovative team of skilled and highly qualified managers to find new ideas, practices and tactics over time in order to react and solve any problems we may face in the future. Elected officials, public managers need to understand to better manage alternative methods of restructuring for improving organizations in times of crisis.

Public and financial services need to offer motives and incentives to employees through objective promotion, awards and citizens to cooperate with public services. All these will be achieved by applying the new public management with all of the innovative practices and tactics provided according to the culture and characteristics of each country as Jones (2010) proposed.

Healthy public services involved smaller government in order to be more efficient, new technologies and elimination of bureaucracy. Also the human recourse management will provide incentives to employees, meritocratic employment enrich with skilled management, qualified leaders and finally public services need to verge on private sector bringing stability and efficiency to services as Handler (2005) analyzed in chapter 3.

Healthy services can be achieved by following the practices of new public management like contracting out results or outsourcing, privatizations, deregulation of economy faculties and transferring executive jurisdictions to other independent players. In addition taking into account the post new public management we may adopt it's ideas regarding our culture and characteristics in order to strengthen and rationalize government with contribution from social sciences and not only from finances.

Restructuring must be tailored to the demands of each region, local and organizations circumstance cultural environment. There is no one best way to restructure public and financial services, as we need to think for better rather best practices in managing in time of economic and fiscal stress. What works well is one occasion may not work at all in other.

Important steps which come in agreement with Mitchel (2005) ideas are to bring new technologies to public and banking sectors with interlocks .The provision of productive and efficient services at low cost combined with flexible arrangements will create a new status quo for the government. Smaller government is the new public management approach similar to private sector and spends money in ways that are counter-productive. This can be an opportunity to make an economic virtue out of fiscal necessity. Controlling is important due to globalization as today is easy for capital to migrate from one nation to another, capital labor became more mobile and the inter-economy became more competitive.

One of the main barriers observed to be the resistance of citizens employees for change. We can improve the weaknesses of citizens changing way of thinking, mentality, resistance in restructuring and culture by improving the system of education as it seems that the main problem starts form there.

Increase cooperation and communication between and networking between organization programs, holistic manner of restructuring, increase citizen volunteerism in the provision of services together with mission, rethinking, modification, joint service agreement with and between government will improve services in efficiency, performance and production largely.

Employees and citizens do not trust the political, social and financial system. Political leaders and managers need to make them understand and persuade them the need of restructuring is important and necessary as it is for the good of their country and for the new generations. We can proceed in elections in order to change political members and drive away those who may be involved in corruption as happened in Ireland according to Taylor (2011).

Finally it needs the cooperation of political leaders and citizens in order to hear their demands and requirements and proceed all together in restructuring and honestly thinking since years Cypriot people have proved that are able to manage any situations

occurred and if we all believe it, we will move forward and we will see positive results in the nearest future.

### **5.3 Limitations of the Study**

The limitation that was found on the study is that:

1. It was not feasible to interview more managers from public and financial sectors due to the fact that they avoid share information about restructuring especially banks due to unknown reasons.
2. Also it can be mentioned that few interviewees have been conducted and my results can only be indicative.
3. All managers that have been conducted interview, did not have the experience or the knowledge about restructuring in time of crisis as it never happened in Cyprus to have any financial deficit or bankruptcy circumstances in the past.
4. The location of work in all interviewees that have been conducted, were taken place in Nicosia and we have no data from other cities in Cyprus.

### **5.4 Recommendations for further research**

Limitations and shortcomings of this study provided implications for future research. Conducting studies with random sampling is suggested to offer a clearer picture of manager profile and to gather more representative information of public and financial services in Cyprus. Since this study focused most on public services, it is suggested that future research, explores deeper the banking sector, among the managers of other cities as well and compare the results with the results of this study. Since this study focuses on the local financial and civil services, it can be extended in private and financial services. Comparison can then be made between public and private enterprises in terms of the factors influencing management and sustainability. In this way, a more comprehensive investigation on the effective factors in public and financial services can be conducted.

Also Banks have already applied restructuring in their services implementing innovative services for the customers and better management to the organization, adopting safety measures in risk management and enhancing inspection and control. Also they proceeded in a lot of reformations like the introduction of more qualified in the field human recourse management in order to improve their labor force and delivery

of services to their clients. This can be done in public services as soon as possible and it is sure that public sector has the abilities and infrastructure to proceed.

Other services could be offered in citizens from government like the provision of accommodation to citizens (development /real estates). This can help open up new job positions and citizens can benefit from the low cost of services. In addition we may cooperate with other European public services and may provide services to other European citizens when visit Cyprus regarding accommodation, recreation, education, health and legal issues (visas, offshore companies, financials, e.t.c)

In conclusion, further research can be made, also for other cities, including urban areas in Cyprus in order to be compared with this research.

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## **APPENDIX A**

### **INTERVIEWS**

#### **Accompanying letter**

June 2015

The interviews that you have received, deals with managers of public and financial sectors. This research aims to explore the key factors of the problems of public and financial services that forced the government to make a deep restructuring and reform. How these problems can be identified and solved, the reasons that new public management needs to be applied and which are the reasons that prevent restructuring of public and financial services. It will be used for my thesis, which is the last requirement to obtain my Master in business administration.

The interviews are anonymous coded, and they will only be used by me as a part of my thesis.

**SUBJECT: “RESTRUCTURING PUBLIC AND FINANCIAL ORGANIZATIONS OF CYPRUS IN RESPONSE TO GLOBAL ECONOMIC AND FINANCIAL STRESS”**

#### **QUESTIONS FOR INTERVIEW**

- Why Public and financial sectors prioritize to be reformed?

5 (E.K): In my opinion after recession it showed that we need restructuring in public services. The reasons are: low production of service delivery, the cost of all structures have been raised (Technical services in all ministries) and lack of inspection from the high positioned structures.

In addition I need to mention that the staff of services is not hired targeted and in some cases is hired according to social reasons resulting as a state of welfare reducing the production. Also an important reason need to mention is that government does not evaluate the civil servants objectively with consequence all servants have high values.

Furthermore in relation with civil servants is that they lack of experiences and knowledge without skills in order to develop their abilities and produce more .Recently due to economic crisis and austerity measures (freeze salaries ,promotions) staff loosed their motivation for work and a lot of important high position managers have been retired resulting that civil services generally not to work properly.

10(S.P.A): Basically i can mention some issues which the government cannot function any more oppose to this global challenge we face. Some of the main problems are:

-The evaluation of labour force is not meritocratic. The way they evaluate civil servants is completely wrong and I believe that the main reasons is the direct relation of managers and civil servants which is difficult for them to be objective. Also as for the employment a big issue occurred as workers are not employed according to their qualifications skills and their personal characteristics. Although the promotion system is not functioning in the right way resulting that persons in high positions leaders do not respond in their duties effectively.

In addition I can mention that an understaffing of services occurs regarding workload and the effectiveness in relation with service delivery is very low and a lack of technical equipment in the offices.

Infrastructure and programs and plans are not responding oppose to the modern social problems with consequence the malfunction of infrastructure.

Another issue I have to mention is that due to economic crisis we have social extensions which are increasing rapidly and in our sector specifically we cannot solve all the problems came up to the surface as we cannot effort it economically.

5 (E.E): In my opinion public and financial services prioritize to be reformed mainly due to the fact that the revenues are far from public spending. Also bureaucracy is another important issue which consumes more time and more resources to deliver services .Also for public services I can mention that there is no flexibility at all and the economic functionality and priorities are changing rapidly in this financial challenge we are oppose so that's the main reasons we need reformation for public sector.

As for the banks financial sector it happens that I am economist and in the past I was working in banks. I can mention that the issue there was not the management at all but the taking risky decisions ,lack of inspection from their managers and the easy loans they used to offer without measuring the assurance of properties. I believe also that buying treasuries from other governments was not a bad decision but an analytical financial theory.

10 (E.L): As for beginning I can say that mission of public administration is to create value in society and a better governance. It has institutional and regulatory character. The current conditions of globalization and economic crisis demand new skills, methods and generally different public service. Reasons occur contributing to reformation of public sectors are low efficiency, low quality to public service, bad management and obsolete infrastructures. Problems and malfunctions occur ,bureaucracy which is not needed ,delays and low performance from the personnel. All these hinder the proper function of public service resulting in high cost. Although we have the memorandum obligation to proceed in restructuring and the president's commitment. But I think that we need to reform our public sector due to meritocracy and sustainable administration. All political members and government have the responsibility and obligation toward citizens to restructure public services and modernise infrastructure.

15(M.M):Ok because Public services are not operating as enterprises and especially they are being running as if they are all public enterprises inefficient without adequate control and management vulnerable with unions .Banks wanted more the profit that's why they were always giving so easily loans. Their framework was not adequate problem with guarantors. They never knew what risk management is all about .Those problems didn't revealed earlier due to huge deposits from Russians. Public organization was totally inefficient .The prime focus was to satisfied unions their purpose was to give jobs to people adopting a huge debt. Too much public services in the government it means so much cost to the tax payers.

(S.S):Unfortunately the need for restructuring occurred from break down of banking system. Political system and ethics system. Also abuse of power from leaders operating with fault tactics and caused the huge debt that was difficult to be sustainable. Also bad

inspections from central bank and lack of management with no institutions. These reason caused the need for restructuring. The rules existed but we did not apply them. The main problem was Central bank and government .The central bank did not check how loans were given and leaders avoid taking responsibilities.

**-What are the plans of restructuring and how these sectors can be managed and construct sustainability?**

5 (E.K): I n my opinion there a lot of tasks we can do. First is the need of shrink targeted the technical services in order to improve production reduce costs. Also as for the cost reduction ministry of communications and works is under study in order to reduce the rents for accommodation of offices ,departments ,reduce transportation and save time .

Also we can review evaluation of civil servants in order to be better and more meritocratic. Furthermore we can entry criteria for staff employment and positioning according to their qualifications knowledge and skills. As for their training in an important task giving them knowledge end enrich their qualifications in order to improve the structure of services ministries and have smoother succession of staff after retirement.

10 (S.P.A): In my opinion public sector can be managed by setting goals and objectives for services .Assessment of performing needs is an important tool in order to identify our demands .Assess the existing staff hierarchically and identify any inefficiencies we may discover.

Also we can make a plan according to the additional staffing of services and plans for new programs in relation with modernise challenges regarding the new social problems we face.

Crucial importance is the leadership role, development of fraternal consciousness, solidarity and cooperation between civil servants in order to have more effective services quantitative and qualitative.

Inevitable civil services need investments in respective financial funds in order to implement our mission and tasks.

15 (E.E): Let me talk about both public and financial services. Main task is to have inspection and control of public and financial services .As for the banks we need to take safety precautions in order to avoid any financial disaster in the future. The risk management need to have an important role in banks in order to measure the dimensions of risks may be taken in the future so as to be manageable.

In addition is better to be a rationalization of wages and benefits for the employees, improvement of public procedures (technology) and flexible arrangements (time schedule and staff transferring )

20 (E.L): We can reduce barriers for transferring personnel in public services, put flexibility in order to reduce costs(time schedule).Drawing studies for horizontal issues of labour force(evaluation and salary system) and studies for sector issues for example to evaluate the responsibilities, structures ,size of ministries and reorganization of local government.

We have already taken measurements to reduce spending in transferring, wages, service citizen and used co-financed projects to strengthen administration ability of departments and leadership.

5(M.M): You have to make all public organizations privatised. As much as you can to shrink public sector in order not to have the same legislations like Public services. I prefer not to privatise these services but to open the market for more enterprises to enter like electricity and telecommunications in order to become cheaper. Also later you can sale shares to public. My solution is to open the market to all in order to have better services and cheaper. Public services also should bring experts managers in the field and the government should stop appointing the members in the board of directors. We can bring e-government in all public services and decentralise as we can the public organizations to reduce the cost of operation. The job of government is to inspect and control.

(S.S): At the beginning we needed to enchase and adopt restructuring to bring to the banking sector stability with risk management and huge inspection. We applied restructuring and we have zero tolerance in risk management .The inspection is strict in a high level. We have systems checking all bills, loans and every person separately.

Zero tolerance in money transferring, risk and loans in relation with sustainability. We are in process to arrange the bad loans in a way to have some income to the banks. We are now proceeding in procedures to have profits in a long term period without thinking the easy profit like before .Also as for the human resource management we proceeded in early retirement in order to shrink the labour force. Also we evaluate employees applying measurability (efficiency production performance).Employees are measured by their abilities performance skills we the motivation of promotion in their career and not promotion regarding seniority.

**-What is the character of New Public Management and how this approach can help public sector?**

10 (E.K): Yes we had some seminars from New public management and I believe in training of manager staff for the new approach of management. It may target to create vision for the high positioning members by supervising all the staff of services hierarchically.

Also New public management helps to have strategic direction of the related organization and cope with strategic plans and missions of public services. Also it will cause changes to social, economic and technological structures and make labour workforce to face any challenges may occur.

The flexibility methods can help implement all the targets and the quality of work will be improved. Also management innovation will take place and can help services to have better performance efficiency and be more productive.

Furthermore the measurement approach could help measure the work done (from high positioned members till lower level) the production and time spending.

15 (S.P.A): Of course we have participated in seminars and we are proceeding to the next cycle of New Public management. It is actually a new practice of government which develops programs for training of managers in order to develop the role of leader and manager staffing. In my opinion it can help managers to adopt the necessary tools and knowledge so to develop efficiency, performance transferring to delivery of services.

In addition it will increase professional knowledge especially in management sector adopting quality of work cooperation, horizontal and vertical communication ,improving quality of worker's life and efficiency in his working environment.

Also technology (e-government) could help services to be more efficient but it needs more modernizations.

5 (E.E): What it comes to my mind about New public management are three m's measurement, management and market. These tools can help improve public and financial sectors in order to have equalized revenues and expenses. It may help to measure attribution, have better management and market which is changing over time. If a service has no demand you close departments and labour will not lose their job but may be transferred in other department of service.

In addition will be more interlocks in public sectors rather private that could assure employees welfare (flexibility).

10(E.L): New public management has its epicenter to adopt entrepreneurship in Public service. It is a famous approach trying to transform an efficient public administration from office model into market model. In Cyprus we had the pressure to modernise governance since years because New public management can result in deregulation of governance, development in public services(technology ,communication informatics ICT e-government)

In addition New public management includes flexible practices of work, focus on results, performance, efficiency and effectiveness .Generally you do more with less become more productive with less cost. Privatizations also are included in New public management despite the resistance showed from members involved.

There is also a negative approach for New public management. It shows that west countries applied this approach but it depends on the mentality and culture of each country. Tends for decentralization observed, flexibility forms of work, transferring from carrier systems into position systems with more responsibilities to managers and private salary adjustment .Now we talk about post New public management demand for better services ethics ,transparency, equality cooperation and accountability. This updated idea brings new values to government and citizens participation to government

as well. It strengthens exercise mechanisms of public practices (recentralization, the rules of law ,it gives emphasis in coordination ,interconnected governance and holistic approach in politics production.

15(M.M):I don't know a lot about New public management but I agree with this approach even we did not apply it yet. Is better to get closer with private sector the public services to produce more with less but we should modify it according to the characteristics of Cyprus.

(S.S):We have taken participation in some seminars and training regarding New public management in the banks restructuring .The basics of that we learned is the zero tolerance in risk .Also how to manage restructuring and influence our employees to accept restructuring .We learned to manage software systems for better results and better control our clients. In the level of clients we learned how to treat them in order to persuade them to trust our banking system. Now clients changed so we have the obligation to learn how to treat them and make them believe in our bank.

**-What are the consequences resulting in process of restructuring-  
applying New public management?**

5 (E.K): According to a study from Irelands elaborated and from that we face in the ministry all the procedures of restructuring are stiff due to bureaucracy. Also is the culture of labour force that they used to deny in something new and show resistance to implement the new strategies and practices of New public management .Also political leaders members of parliament may resist due to political interests as they vote the legislations to apply measurements and laws of restructuring.

Some benefits may occur is the increasing of production, motivations of the employers due to flexibility approach and technology modernization of services (less time consumption for provision of services).

Further the cost of functionality of services and staff expenses will be reduced in order to provide services and construct sustainability in the sectors.



10 (S.P.A): Phenomena of resistance will be shown especially older servants due to lack of knowledge of technology and bias. But with the right provision of information, Iterative updates and knowledge can be eliminated.

Also economic barriers will be shown regarding modernization the need to bring technology needs financial funds that are limited this period as we know.

There is an issue of restructuring due to the fact that servants are more related between them and the application of new methods of modernised public sector make it more difficult.

In addition labour unions will resist public sectors be restructured as they will try to protect civil servant's benefits and human rights.(strikes demonstrations)

Regarding the opportunities we may have more skilled civil servants resulting in personalised public service. Also quality and efficiency will be improved and we can have more anthropocentric management.

Further we can attain an equilibrium between public and private sectors (counterpoint treatment ,promotion prospects).

15 (E.E): Opportunities that will arise are that public sector will be modernised better management of resources and efficiency resulting from succeeded targets. Public spending will be relative regarding the demands of services .As for the banks will be more profitable and if the legislations for divestments will be voted banks can earn money from unhealthy firms and lend it to healthy organizations if that can be done targeted.

As for the obstacles for sure we will see refuses from labour workforce and regarding their culture is difficult to change the infrastructure of public and financial service. Also labour unions will show resistance to protect employees and for sure political leaders who may vote against restructuring due to variety of interests.(political parties)

5 (E.L): We are not taking New public management as a targeted approach. We don't consider it a solution. However the a transition from classic Weberian model into modernise methods of management and reformation perhaps can improve efficiency. We can use some basics from NPM and post NPM like targeting in results

(measurability), plans, e-government, ICT, quality of work. For sure the opportunity for restructuring involve the crisis occurred in Cyprus and the need of society also for change, flexibility efficiency.

As for difficulties in this process the main barrier is the resistance of change due to culture and mentality from employees. We may have leadership issues alteration in expectations.

NPM challenges the whole concept of a specific public service and the traditional legitimacy of specific working conditions.

10(M.M): Labour unions and public employees will deny and resist to change even if is better for the citizens tax payers. Also resistance to managers who are opposite in change so to be able to control services in their old way. Opportunities are that we can save costs and spend it in development and more sustainable plans and projects.

(S.S): Now we have the opportunity to have right institutions and apply the rules properly. Also the approval of legislation for divestments is an opportunity to be applied. The client when is signing a loan has the obligation to pay and if not to accept the consequences. Also is time that the corrupt system to be improved and all legal measures to be applied according to the law. Also the good practices and tactics of bank's operation and functionality can be seemed as an opportunity as well. As for barriers can be observed the resistance and mentality of our employees and clients. It is difficult to change in a short time. Another barrier is the non-approval of the divestment legislation from parliament members due to political interests.

**-How barriers (legislations, political context, resistance) can influence reformation and how we can avert them?**

15 (E.K): For sure legislations are related with reformation as it can be a problem of prosecution. All processes regarding restructuring will be voted to the parliament from the members political leaders and legal advisors. Now it can be a little complicated as we are obliged from Europe to apply measurements but in my opinion politics are positive in restructuring but they try to avoid any extreme circumstances regarding lay-offs and reduced salaries from public disruption.

20 (S.P.A): Legislations exists and need to support the task of the public operator. It determines the status legitimacy of employee but it can be improved by reducing bureaucracy.

For example can reduce the time of approval of any legislation (decentralization)Some legal advisors can be detached in other services for better approvals of any legislations.

From experiences amplitude and corruption political context leave problematizations regarding the impartiality of politics to take decisions and have political interests than public interest. Also from their relations they have and may influence the systems of employment, promotions or evaluation of civil servants.

5( E.E): Approval of legislations can improve the sustainable functionality of public and financial sectors in Cyprus. Laws can also help citizens (insolvency legislation) and banks (divestments).

As for the political leaders and members of parliament can influence indisputably the process of restructuring as all the reforms need to be approved by them and due to secularism they may show resistance. Banks historically used to be more independent from politics and parties but recently it shows no transparency.(Central bank)

10 (E.L): For sure legislations can become a challenge in change. Issues related to the Constitution are not so easy to change and we find a lot of difficulties in this subject. The things we need to do is to change our mentality and have willing to change all from political members till the last person involved. The constitution can change in order to restructure services without bureaucracy. Also the leader can persuade for change through dialogue and commits that can manage change by introducing innovative ideas to make believe that restructuring is a need. Also it needs the cooperation of all political parties stakeholders involved to be able to approve legally the plans for restructuring.

15(M.M): I think that communist parties are opposite to change and they will not approve some legislation for applying New public management. The thing we need to do is to make people understand the need of restructuring and is a matter of each party to adopt those ideas. We will face a lot of barriers and one solution in my opinion is to abolish the permanence of public servants so to be able to apply reformation without barriers and resistance which for sure can bring better results for Public services.

Legislations needs to be changed in order to have let's say new educational members in the school hospitals abolish ancient criterion for promotion.

(S.S): We can marginalise people that resist to change (clients and employees).Due to European obligation of the economic support it can be seemed a lever to accept restructuring of banking system due to the reason if we do not apply these measures they will not give us the next financial dose.

## **APPENDIX B**

### **Demographics and Descriptive Statistics**

#### **Demographics**

Table 4: Demographics statistics in conducting interviews

Variable	Classification of Variable	Interviewees	
		Frequency	% Percentage
GENDER	Females	4	66.6
	Males	2	33.4
AGE	20-29	1	16.6
	30-39	3	50
	40-49	1	16.6
	Over 50	1	16.6
MARITAL STATUS	Married	5	83.3
	Single	1	16.7
	Divorced	0	0
	Engaged	0	0
EDUCATIONAL LEVEL	High School Diploma	0	0
	Diploma	0	0
	Bachelor's degree	0	0
	Masters / PhD	6	100
OCCUPATION	Governmental	3	50
	Semi-Governmental	0	0
	Banking Sector	1	16.6

OCCUPATION	Private Sector	0	0
	University	1	16.6
	Parliament	1	16.6
Working place	Nicosia	6	100
	Limassol	0	0
	Larnaca	0	0
	Paphos	0	0
	Ammochostos	0	0

## Descriptive Statistics

Number of interviews: 6

Date of the interview: Interviews were conducted on 23/03/15 - 10/04/15

Place of the interview: Public works department -ministry of communications and works, Ministry of labour and social welfare Nicosia, University of Cyprus, University of Nicosia Department of Management, Ministry of finance Nicosia, Parliament in Nicosia, Bank of Cyprus.

Duration of the interview: 30-45 minutes.

Interviewer: Michalis Panayiotou.

Indicator for the interviewee: Michalis Panayiotou.

Gender of the interviewee: 4 females 2 males.

Age of the interviewee: 29-56

Profession of the interviewee/ Professional field :

(E.K): Higher executive engineer, HTI diploma of civil engineer, BSc civil engineering Catholic University of U.S.A, Master degree civil engineering George Washington University.

(S.P.A)Chef of social service office. BSc social work school of social work of Diakonisson, Greece. BSc French philology, Kapodistrian University of Athens MSc Social interventions franchise University of Nicosia and Hertfordshire University of London.

(E.E): Scientist Department of social and political science, BSc Cambridge college , Master degree in Business administration Imperial University ,PHD Manchester Business school.

(E.L): Officer of public administration and personnel A. BSc psychology Suny N.Y University, MBA C.I.M, MA Kent University.

(M.M): Member of the House Standing Committee on Financial and Budgetary Affairs, of the House Standing Committee on Institutions, Merit and the Commissioner for Administration (Ombudsman), of the House Standing Committee on Labour and Social Insurance and of the House Standing Committee on Refugees-Enclave-Missing-Adversely Affected Persons. Accounting and Economics (University of Illinois, Chicago) and PhD in Economics (University of Illinois). Certified Public Accountant (1986) and Certified Financial Advisor (2006) in the United States of America. Professor in European University of Cyprus.

(S.S): Branch manager bank of Cyprus. BSc Human studies LSE , MSc HR and Industrial relations LSE.

Working in this profession since: more than 15 years.

Raised (countryside/city): Nicosia.

Children: No information.