

Institutional, Economic, and Human Resource Challenges in Public Sector Management: An Empirical Study of Public Organizations

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ABSTRACT: Organizations in Balkan region of Europe, faced with the many complex problems and challenges that are directly affecting their effectiveness and sustainability as organizations in the local and global market. These challenges include the economic factors, such as lack of financial resources and difficulties in budget management, as well as political and social factors, including the impact of unsustainable policies, administrative obstacles, and high unemployment rates. Although these issues have been addressed in a general manner in the existing literature, there is still a lack of in-depth analysis within the specific context. This study aims to identify and analyse the key challenges in the management of public organizations operating in the Kosovar market through a combined methodological approach (both qualitative and quantitative). The result of research show the impact of economic, structural and political and factors, the lack of well-coordinated reforms, and the low level of professionalism in managing of human resources as major obstacles to institutional development. The conclusions and recommendations is to contribute to the improvement of managerial capacities and the enhancement of the sustainability of public organizations, thereby positively influencing the country's economic and social development.

KEYWORDS: human resources, political influence, professionalism, economic challenges.

1. INTRODUCTION

Studies on public organizations and the challenges they face in the context of transition and globalization have received considerable attention in both international and regional literature. Various authors have analyzed the impact of unsustainable policies, lack of professionalism, and ineffective managerial structures on the failure of public organizations. According to Osborne, D., & Gaebler, T., (1992) public organizations continuously face challenges in adapting to citizens' demands and improving efficiency through innovation and accountability. They emphasize the importance of "entrepreneurial governance" as a way to reform the functioning of public administration. In a similar vein, Becker, Gary S., (1993) highlights the central role of human capital in organizational and economic development, stressing the importance of investment in education and training. He argues that the lack of professional capacities is one of the main obstacles to sustainable institutional development. In the local context, Gjinovci, A., (et all, 2018, 2025a) observe that the selection of managers in public organizations is influenced by politics, which hinders the development of a merit-based and creative managerial culture. This negatively affects institutional capacity and organizational performance. According to Gjinovci, A., (2014), the contemporary challenges of public organizations are the closely linked to the lack of professionalism at leadership levels, the strong political influence on employment, and the absence of a long-term strategy for organizational development. His study evidences that partial and uncoordinated reforms have not brought significant changes to the public system. Friedman, T. L., (2005) argues that globalization and the spread of technology have compelled organizations to adopt new forms of organizational structure, prioritizing flexibility and the ability to adapt to rapid market and technological changes. The politicization of public administration has affected recruitment processes, which often fail to comply with professional human resource management standards and bypass regulatory and legal frameworks. As a result, many institutions are characterized by overstaffing, with a significant portion of employees lacking the necessary qualifications and competencies for their positions. At the same time, political appointments to governing boards have weakened the professional neutrality and ethical integrity of institutions. These developments negatively impact the effectiveness of public administration and hinder the development of sustainable professional capacities in the long term (Gjinovci, 2025c).

2. LITERATURE REVIEW

In an increasingly complex organizational environment influenced by rapid economic, social, and technological changes, the effective management of human resources has become one of the fundamental elements of success in modern organizations. According to Wernerfelt, B., (1984), human resources present an essential factor in optimizing organizational results, enhancing operational effectiveness, and promoting continuous improvement within organizational structures. This highlights how that the workforce should not be seen merely as a cost but as a strategic investment contributing to the sustainability and competitiveness of the organization. In the same line, Mayo, A., (2001) defines human resources as human capital a key component in value creation and the strengthening of organizational competencies and capabilities. He emphasizes that the value of an organization is determined not only by material assets but increasingly by the contribution, creativity, and engagement of its employees. Based on the Boselie (et al., 2005), human resource management is built on four main pillars in selection, recruitment, training, development, reward systems, and performance management. These components are often not fully implemented, where political influences, lack of professionalism, and non-meritocratic practices frequently hinder the development of a modern management. In this context the performance management serves as a critical mechanism for improving organizational efficiency and strategically aligning employees toward clear objectives. According to Armstrong (2006), performance management has evolved to include goal setting to make the periodic performance appraisals and to implement the performance-based compensation, and professional development. This approach aims is how to create a more accountable and results-oriented work. The primary goal is to foster a culture of accountability and continuous improvement, where individuals and teams actively contribute to enhancing both their own and the organization's overall performance. Armstrong and Baron (1998) describe performance management as a strategic and integrated approach to improving the performance of individuals and teams to contribute to the long-term success in the organization. Meanwhile, Rogers (1990) highlights the importance of establishing a comprehensive management system that includes clear policies, strategic planning, measurable objectives, and performance standards, all of which are reviewed regularly and systematically. In the context, according to Gjinovci (2016), public organizations face numerous challenges in human resource management, including a lack of professionalism, political interference, and the absence of sustainable development policies. As the nature of work evolves and demands for quality public service delivery increase, there is a growing need for more advanced and professional forms of HRM to build an efficient and transparent public administration. By DeCenzo and Robbins (2005), a quality function of performance management significantly improves the delivery of public services by fostering a culture of dialogue and accountability. It helps align individual goals with organizational objectives and increases employee motivation and engagement. Conversely, according to Kates, Marconi, and Mannle (2001), a weak performance management system can lead to demotivation, internal conflict, and a loss of public trust in institutions. One factor that negatively impacts performance management is nepotism—a phenomenon referring to the hiring or promotion of close associates regardless of their merits or qualifications. According to Gjinovci, A., and Gjinovci, D. (2017, 2025b), nepotism manifests in political, familial, and institutional forms, adversely affecting the recruitment system and deeply undermining public sector and employment. This form of discrimination harms not only recruitment and promotion processes but also erodes citizens' trust in state institutions. Employing unqualified individuals through political influence or family connections has serious consequences for decision-making quality, law enforcement, and the overall mission of public organizations. Christensen (2006) emphasizes that managers and organizational leaders should increasingly focus on human resources, not only in terms of technical management but also in building an organizational culture that values merit and develops internal talent. Given the importance of performance management and the challenges associated with it in the public sector, this paper aims to analyze the impact of performance management practices in public organizations, with particular focus on the benefits of a professional approach and the consequences of non-meritocratic practices such as nepotism. The lack of professionalism in human resource management leads to significant costs and legal conflicts. According to Cascio (2016) points out, ineffective management can result in productivity loss, reduced work quality, and a decline in organizational performance. Kniggendorf (1998) performance appraisal is an essential component for all employers, as it helps establish work standards and enables effective human resource management. According to Fletcher (2001), performance evaluation has evolved to include methods such as 360-degree feedback, while also considering the impact of cultural diversity and advanced technology on how performance is perceived and managed in organizations. Tahilramani (2010) argues that successful modern organizations are characterized by flexibility, adaptability, and responsiveness—particularly in how they manage human resources—highlighting the importance of innovation and continuous organizational change. Huselid (1995) finds that reliable and valid selection practices in human resource recruitment directly affect the quality and competencies of employees, and thus, the overall performance and success of the organization. Hartog et al. (2004) emphasize that performance management should focus primarily on defining, measuring, and encouraging employee performance, with the aim of improving organizational performance—going beyond individual benefits and addressing the organization's strategic challenges. Kumari and Sita (2010), in their study on Indian organizations, conclude that competencies are key factors for organizational success, as they add value, enhance talent management, and contribute to more effective employee management.

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3. METHODOLOGY

To conduct this study, a combined approach used, including both primary and secondary research. Initially, an in-depth review of the scientific literature in the field of organizational and human resource management conducted. The research sample selected based on the following criteria:

- Public organizations;
- Review of documents published by relevant institutions.

Data sources include:

- Primary data collected from the field, mainly through the analysis of official documents and reports from relevant departments within public organizations;
- Secondary data – derived from the existing scientific literature, including studies, analyses, and publications addressing challenges and practices in human resource management in the public sector.

3.1. Research Objectives

This study analyze the management of public organizations and human resources by identifying the problems, challenges, and weaknesses faced by these organizations and their managers. The primary objective is to determine the factors that influence job creation and the establishment of new organizations, as well as to explore ways to encourage and motivate investment in this sector.

- Within this framework, the research addresses the impact of key factors such as:
- Unprofessional management and its negative effects on the overall performance of public organizations;
- Nepotism and its influence on the functioning and efficiency of public organizations;
- Politicization of governing boards and its consequences for the decision-making process;
- The effectiveness of oversight and monitoring mechanisms for board operations;
- The lack of creativity and innovation in public management;
- Non-compliance with legislation and the absence of education and professional experience in human resource management;
- Development of strategies to prevent the bankruptcy of public enterprises

3.2. Research Hypotheses

In accordance with the study's objectives and the theoretical framework constructed through the literature review, the following hypotheses formulated:

- Unprofessional management negatively and significantly influences the performance and sustainability of public organizations.
- The nepotism contributes reduced efficiency and transparency of governing boards in public organizations.
- Politicization of boards have the negatively influences decision-making processes and the strategic development of public organizations.
- The lack of effective oversight and monitoring mechanisms lowers managerial accountability and increases the risk of bankruptcy.
- The absence of creativity and innovation in management limits public organizations' ability to address economic and social challenges.
- Non-compliance with legal frameworks and lack of professional experience in human resource management hinder the improvement of public service quality.

3.3. Research Questions

Aligned with the objectives and hypotheses of the study, the following research questions formulated to guide the research process:

- How does unprofessional management affect the performance and stability of public organizations?
- What impact does have the nepotism on efficiency and transparency of governing boards in public organizations?
- In which ways does the politicization of boards influence the decision-making process and the strategic development of public organizations?
- How effective are the oversight and monitoring mechanisms in public organizations in ensuring managerial accountability?
- What role doing the creativity and innovation play in enabling public organizations to address economic and social challenges?
- How does non-compliance with laws and lack of professional experience affect human resource management and the quality of public services?
- What is the most effective strategy to prevent bankruptcy of public enterprises?

4. RESEARCH RESULTS AND DISCUSSION

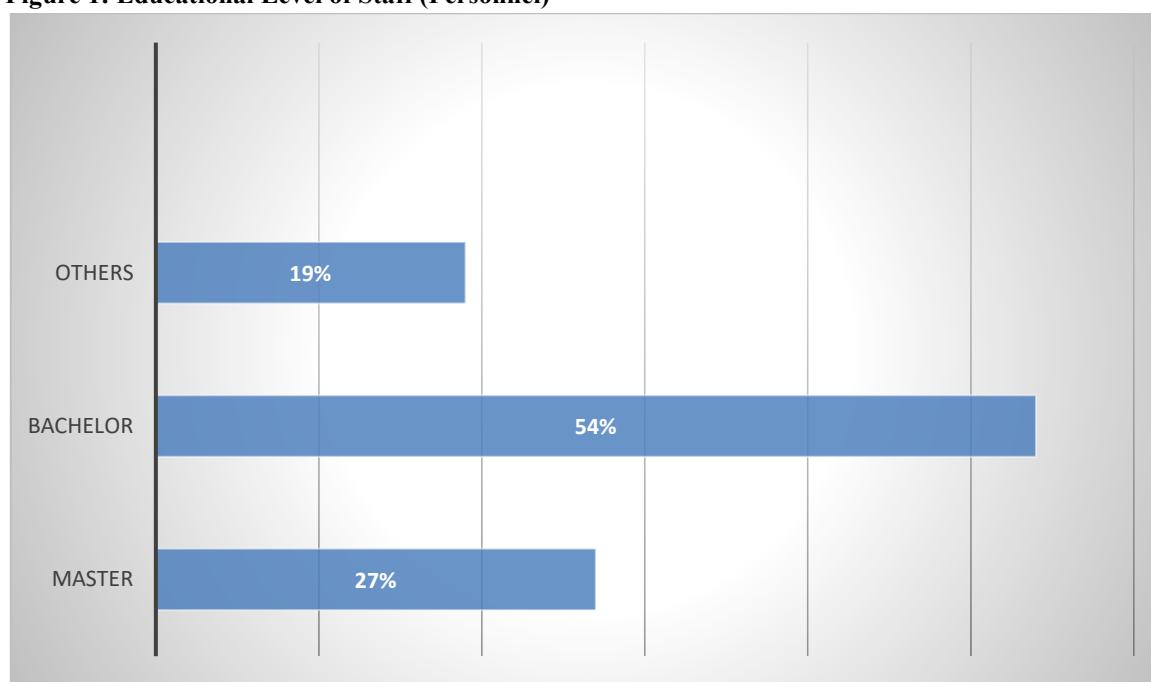
This section presents and analyzes the key findings of the research concerning the impact of the studied factors on the management of public organizations. The results are compared with the existing literature, and their significance for the development of the public sector and human resources is discussed. The objective is to draw clear conclusions regarding the main challenges, understand their root causes, and propose empirically-based measures that may contribute to improving the management and sustainability of public organizations.

4.1 Unprofessional Management Negatively and Significantly Affects the Performance and Sustainability of Public Organizations

Unprofessional management emerges as a critical factor that negatively and significantly impacts the performance and sustainability of public organizations. Research findings related to human resource management practices in several public institutions indicate a lack of systematic and professional approaches to staff management. In many cases, this results from limited basic managerial knowledge, absence of regular training, and inadequate preparation of leadership personnel.

Over 80% of the respondents stated that they hold advanced academic qualifications (at the Bachelor's and Master's levels), this has not been reflected in the way restructuring, advancement, and staff positioning processes have been conducted within the organization. Despite the declared objective of performance evaluation systems to identify capable personnel and promote them based on merit, it was observed that education and professional experience are often disregarded as decisive criteria. One of the clearest examples of this phenomenon is the case of a public organization where, during a restructuring process, several highly experienced and well-educated employees were reassigned to technical roles or positions unrelated to their professional qualifications.

Figure 1: Educational Level of Staff (Personnel)



(Author, 2025)

This chart illustrates the distribution of staff based on their level of education Bachelor's, Master's, and potentially other qualifications (if disaggregated data is available).

As illustrated in Figure 1, the majority of staff hold advanced educational qualifications: 54% have completed a Bachelor's degree and 27% a Master's degree, which together represent 81% of the personnel. However, this professional qualification has not been adequately reflected in the processes of promotion and organizational structuring. While 81% of staff in the surveyed organizations have completed Bachelor's or Master's studies, only a very small portion have been promoted in accordance with their qualifications. Despite this level of human capital, optimal utilization is lacking. Only 18% of respondents reported having been promoted based on merit or performance evaluation. According to the result only 18% of respondents reported having been promoted to higher positions based on merit or performance evaluation. The 82% of respondents show that, how in their career advancement was not influenced by principles that did not take into account meritocracy or performance evaluations and achievements. These results highlight a widespread lack of opportunities for career advancement based on merits, suggesting that most employees are

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unable to advance in their roles based on their professional achievements and contributions, or even that they are not considered at all.

Figure 2: A concise and visual summary of the survey's key findings

<i>Variable</i>	<i>Percentage (%)</i>
<i>Respondents reporting promotion to higher positions based on merit or performance evaluation.</i>	18 %
<i>Respondents reporting no promotion based on merit or performance evaluation</i>	82%

(Author, 2025)

This result is consistent with the conclusions DeCenzo and Robbins (2005), who argue that the absence of well defined performance management mechanisms is results in disengagement and a decline in organizational efficiency. Where the promotion and position decisions are not based on professional criteria, institutional credibility and organizational sustainability are at serious risk (Mintzberg, 2009). In conclusion, it is essential for public organizations to establish objective performance evaluation mechanisms and to strengthen managerial capacities through training, transparency, and clear standards for recruitment and career development. Doing so will have a positive impact not only on the efficient functioning of public institutions but also on enhancing public trust in these organizations.

4.2 Nepotism and Its Impact on the Efficiency and Transparency of Governing Boards in Public Organizations

One of the main factors that negatively affects the efficiency and transparency of public organizations is nepotism. This phenomenon involves the favouritism of individuals based on family or political ties, often at the expense of meritocracy and equal opportunity. Data collected through a survey conducted among employees of public organizations indicates a significant presence of non-professional connections in the hiring process. Approximately 60% of respondents reported having a family connection within the organization or ties to individuals involved in politics, suggesting a considerable influence of nepotism on recruitment practices.

Survey Questions

To assess the extent and impact of nepotism in public organizations, the survey included the following questions:

- Do you have a family member employed in the same organization?
- Do you have any affiliation with a political party or individuals in central government?
- During your recruitment process, did you have any political or managerial connection with the organization's leadership?
- Are you employed in a position that matches your professional qualifications and academic background?
- To what extent does your current position match the initial job description for which you were hired?

Figure 3 below provides a simplified visual representation of the survey's key findings, for example:

<i>Variable</i>	<i>(%)</i>
<i>Employed relatives in the organization</i>	54
<i>Connections with political/managerial entities</i>	72
<i>Benefit from political/managerial connections</i>	95
<i>Employed in positions not matching their qualifications</i>	92

(Author, 2025)

The Survey Results and Their Implications. The survey results are concerning and indicate a significant influence of non-meritocratic factors in the recruitment and career development processes within the public sector. Specifically, 54% of respondents reported having family members employed within the same public organization, while 72% acknowledged having ties to political entities or managerial figures within the institution. Alarming, 95% of respondents stated that they had benefited from political or managerial connections during the hiring process, and 92% admitted to being employed in positions that did not match their academic qualifications or professional experience. When asked about the alignment between their current position and the initial job description, the majority reported that they were initially appointed to positions that were misaligned with their qualifications but were later transferred to different roles. This high level of political influence (95%) is alarming and reflects a systemic capture of public institutions by interest networks. As a result, the selection of staff is often not based on competence but on personal or political connections, increasing the risk of unprofessional decision-making, reduced organizational efficiency, and poor governance. Friedman, T. L.,(2005) these internal movements within public organizations frequently lack transparent merit-based criteria or performance-based evaluations, leading to a widespread perception of institutional injustice and lack of credibility. The findings of this research highlight an urgent need for reform in the recruitment and human resource management systems within the public sector. The high prevalence of nepotism not only undermines the integrity of public institutions but also directly affects the quality of public services, decreases organizational performance, and erodes citizens' trust in public administration. According to

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Gjinovci (2015), the appointment of managers under political influence and the lack of creativity within public organizations are major barriers to the long-term development of human resources and public institutions themselves. This influence not only slows down the professional advancement of individuals but also fosters a working environment in which political loyalty is prioritized over competence and innovation. In this context, the implementation of clear anti-nepotism policies, increased transparency, and the promotion of a merit-based system are essential for improving governance and strengthening managerial capacity within public sector organizations.

4.3 The Politicization of Boards Negatively Affects Decision-Making and the Strategic Development of Public Organizations

The politicization of boards in public institutions constitutes a significant challenge that directly undermines the integrity of decision-making processes and the strategic development of these organizations. Research indicates that public enterprise boards are substantially influenced by political affiliations, which compromises the principles of meritocracy, independence, and effective governance, ultimately detracting from organizational performance. A pertinent example is the 2018 appointment of the Telecom (TK) Board by the Government. Of the six appointed members, four were found to maintain social or political ties with ruling parties, signaling clear political influence. Despite formal oversight by British representatives aimed at ensuring transparency and merit-based selection, investigative journalism (by Life in Kosovo) revealed that the government disregarded recommendations made by these monitors. Only three of the appointees met the necessary qualifications to be shortlisted, and none were the highest-ranked candidates. Notably, a government-appointed commission initially recommended 12 candidates, but the shortlist was inexplicably expanded to 18 without transparent justification. The Prime Minister acknowledged receiving only the final list of six candidates, offering no explanation for the sudden addition of names. Further investigation uncovered direct political connections among several appointees, including one individual excluded from the original shortlist and rejected by evaluation commissions, who was nonetheless appointed without formal rationale. These findings expose systemic failures to uphold meritocratic and transparent recruitment processes, highlighting the detrimental impact of political interference on institutional independence and governance quality. Such politicized appointments undermine strategic planning capabilities, weaken oversight functions, and erode public trust in state-owned enterprises. The Kosovo Telecom case exemplifies the broader consequences of politicization within public sector governance and underscores the urgent need for comprehensive institutional reforms to enforce merit-based recruitment, independent supervision, and enhanced accountability mechanisms. This study examines the composition and appointment processes of boards of central public enterprises designated in the second half of 2020, alongside other boards appointed in prior periods that remain operational. The Kosovo Democratic Institute (2021) documented numerous instances of politicization and procedural violations during the appointment and selection of both permanent and temporary board members. Moreover, some appointments contravened legal requirements concerning independence and conflict of interest, while established selection procedures were frequently disregarded. Research further indicates that, as recently as 2023, the practice of appointing politically affiliated individuals to public enterprise boards persisted. Beyond these boards, politically connected persons have also been placed in other critical institutional roles (Hoti, I., 2023). Appointments to boards often involve individuals lacking relevant professional and managerial experience—a trend not unique to the current administration but prevalent across previous governments. Public enterprises have frequently been characterized as hubs of nepotism and politically motivated employment (Dahsyla, E., 2024). Consequently, unsuitable individuals occupy key governance and management positions. While some professionals are indeed appointed, it remains common for important roles to be filled by those lacking adequate expertise. This deficiency adversely affects their capacity to contribute meaningfully to the enterprises' operational effectiveness and long-term success. Governing boards bear the critical responsibility of strategic decision-making and directing management in the execution of essential actions (Dahsyla, E., 2024).

4.4 Lack of Effective Control and Monitoring Mechanisms Reduces Management Accountability and Increases the Risk of Failure

In Kosovo, to date, there has been an absence of well-established and independent mechanisms for controlling and evaluating management processes in the studied public companies. Managers often perform their duties without clear accountability, and there are no documented cases of sanctions for mismanagement or abuse of official duties. This situation creates an environment where the lack of responsibility increases the risk of misuse of resources and potential organizational failure. Management controls can be categorized into different types, such as formal and informal controls (Anthony et al., 1989), as well as controls focused on output and behavior (Ouchi, 1977). These control types are necessary to maintain a balance between monitoring processes and behaviors within public organizations. According to O. I. Averina et al. (2020), management control—which includes the use of financial and non-financial data—is essential for making operational and strategic managerial decisions. This information reflects the current state of the organization and helps identify deviations from planned objectives. Anthony (1965) defines control as “the process by which managers ensure that resources are used effectively and efficiently to achieve organizational goals.” An effective control system should have clear objectives and measurable standards that serve to assess management performance. Continuous control and real-time monitoring allow timely identification of problems and enable corrective actions to ensure alignment with

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organizational strategies. Key characteristics of a successful control system include data accuracy, flexibility to adapt to changes, economic efficiency, and integration with the organizational culture and structure. Implementing such a system not only improves strategic management but also enhances the sustainability and competitiveness of public organizations. To achieve this, it is recommended to establish internal audit mechanisms, provide continuous training for managers on best control practices, utilize real-time monitoring technologies, and develop clear performance indicators (KPIs).

Research Ethics

This study was conducted in full compliance with established ethical standards for academic research. Ethical approval was obtained from the relevant institutional review board prior to data collection. Participants were fully informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without any consequences.

4.3 Future Research

Future research first, subsequent studies could evaluate the direct impact of targeted training programs on employees' actual performance and on organizational outcomes, thereby providing evidence for more effective professional development strategies. Second, researchers could investigate the relationship between skill development and innovation, examining how specific competencies contribute to organizational adaptability and competitive advantage across different sectors.

5. Conclusions and Recommendations

The public sector plays a key role in ensuring the fundamental functions of the state and providing services to citizens. Consequently, the efficient, fair, and sustainable functioning of this sector is essential for the democratic and socio-economic development of the country. The research conducted in this paper has identified a series of challenges related to management, human resources, and political interference in public organizations.

5.1. CONCLUSIONS

Political influence remains one of the most serious problems damaging professionalism and institutional independence. Interventions by political parties in appointments, recruitment, and promotions have created a mutual dependency between employees and political structures, negatively affecting the quality of public services.

Employment processes often do not adhere to meritocratic criteria. Staff selection is frequently carried out without respecting professional qualifications, prior experience, or performance, resulting in an overload of unqualified staff and a decrease in organizational efficiency.

- Employee motivation and engagement are declining due to lack of professional development opportunities, micromanagement, and absence of performance evaluation.
- Overstaffing and lack of professional cadres coexist paradoxically in many public organizations, creating bloated structures and lack of expertise in key positions.
- Civil society remains underrepresented in reform and monitoring processes of public administration, despite its important role in increasing transparency and accountability.
- The absence of performance measurement for managers hinders the development of results-based leadership, as mechanisms to understand the real impact of managers on productivity, engagement, and staff retention are lacking.
- Working conditions and staff well-being are often neglected, especially in cases of remote work, negatively affecting overall performance and morale.
- Lack of professionalism in human resource management causes significant mismatches in employment practices, difficulties in attracting and retaining talent, and the creation of a dysfunctional work culture.
- The absence of internal control and audit mechanisms significantly weakens organizations' capacity to prevent abuses and mismanagement.

According to Osborne (2010), modern public sectors should be built on the principles of good governance, innovation, and accountability.

5.2 RECOMMENDATIONS

To address the above challenges and enable a genuine and sustainable reform of the public sector, a multidimensional approach is proposed, supported by structural reforms, human capacity development, and the involvement of external actors in monitoring and oversight.

Depoliticization of public administration:

- Creation of independent mechanisms for staff recruitment and promotion.
- Increasing transparency in appointment processes for leadership positions.
- Reviewing existing laws to prohibit political influence in the management of public organizations.

Strict enforcement of meritocratic criteria:

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- Strengthening the role of human resource departments in objective candidate evaluation.
- Developing clear standards for recruitment and promotion in line with best international practices.

Development of performance management:

- Regular use of performance evaluations, engagement surveys, and productivity analyses.
- Training managers to develop leadership, communication, and staff management skills.

Motivation and staff development:

- Offering equal opportunities for training and professional advancement.
- Creating reward schemes linked to individual performance and contribution.
- Promoting a culture of recognition and appreciation of good work.

Improvement of working conditions and staff well-being:

- Providing adequate infrastructure for work, especially for remote work.
- Developing organizational policies for stress management and support of work-life balance.
- Preventing micromanagement and building a work culture based on trust and independence.

Involvement of civil society in the reform process:

- Creating platforms for cooperation between the government and civil society organizations.
- Supporting monitoring roles of independent institutions and media in tracking public administration performance.

External auditing and periodic performance evaluation:

- Developing a framework for independent audits and annual performance evaluations of public organizations.
- Publishing performance reports to increase transparency and accountability.

Expanding the role of technology and digitalization in public management:

- Improving efficiency through digitalization.
- Implementing digital systems for recruitment, performance evaluation, and human resource management.
- Creating platforms for internal communication and knowledge sharing among employees.

Reform in public administration is not merely a technical process but requires political will, institutional commitment, and broad social involvement. Only through an integrated approach, where professionalism, meritocracy, and transparency are at the core of every managerial process, can an efficient, sustainable public sector be built that serves citizens. The research highlights the need for systematic reform in public organizations. To increased accountability and transparency and professional development of staff, and creation of a culture based on performance rather than political influence.

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