MANAGING LOCAL PUBLIC ADMINISTRATIONS BETWEEN COMPLEXITY AND ECONOMIC CRISIS. THE CASE OF TUSCANY REGION

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It is idle to expect that men will give their best to any system which they do not trust, or that they will trust any system in the control of which they do not share.

(R. H. Tawney, Professor of Economics History, 1880-1962)
This doctoral research has two main broad objectives:

1 – To understand how public administrations have evolved over time in order to meet the challenges posed by the increasingly complex contexts of the societies and to analyze how the set of ideas underlying these changes affects the organizational levels

2 – To deepen the approaches and the methods developed by public administrations to respond to the pressure produced by the economic crisis, which began in the second half of 2008 and has rushed most of the western countries.

The thesis is a compilation of three papers. The first and the second one (Chapter 2 and 3) are related to the first aim of the research. The third paper (Chapter 4) is devoted to the second objective.

In Chapter 2, the first paper (“Public sector organizations between Old public administration, New Public Management and Public Governance: an analytical framework”) provides an overview of the existing body of literature in the field of public management and administration, and develops a framework for analyzing the key aspects of the three public management models. It tries to answer how these three different sets of ideas impact on the organizational reality and how they affect the different dimensions of the management of a public institution.

Finally, the paper stimulates discussion about hybridity, complexity and innovation in public organizations.

In Chapter 3, the second paper (“Public sector organizations between Old public administration, New Public Management and Public Governance: an analytical framework”) analyzes the presence of different managerial approaches in a public organization as the Tuscany Region in Italy. In
particular, it highlights the phenomenon of the plurality of public management models working in the organization. The transformation and coexistence of the above-mentioned models are studied with a content analysis, based on the perspectives of policy makers and top-level managers expressed in interviews and on the context of administration planning and control systems found in documents.

In Chapter 4, the third paper ("Cutback management: approaches and actions from local government in Italy") focuses on a management approach valuable for public administration to face the consequences of the economic crisis. It reports the novel experience of the Tuscany Region on cutback management (CB) with the aim to underline the implementation in different sectors and the possible influencing factors. The proposed method of CB is evidence-based, using data benchmarking across Italian regions and within local public institutions in the TR to investigate possible cutbacks, efficiency gains or room for reallocation of resources. The tools proposed have supported regional policy makers understanding which types of actions could be carried out.

![Figure 1. The logical framework of the thesis](image-url)
Chapter 1
INTRODUCTION

The public administration in the 21st century is experiencing a very strong change, particularly in the advanced countries, but also in many parts of the developing world. The policy problems faced by governments are less and less simple, linear and focused at the national level, but rather more and more complex, twisted and global. And yet the predominant ‘paradigms’ through which public sector reform are drawn and implemented are relatively static and do not fully encompass the significance or implications of these wider changes (Robinson 2015).

There are many studies about public administration and public sector reforms in advanced industrialized countries. Numerous frameworks have been elaborated to classify and analyze different approaches to these reforms. The majority of them focus on the transition from the Old Public Administration to the New Public Management that took place in the 1980s and 1990s. From 2000 there was a clear trend towards an emerging model differently named the “new public service”, the “new public governance” or the “post-New Public Management” (Dunleavy and Hood, 1994; Denhardt and Denhardt, 2000; Osborne, 2006). Each of these approaches to public administration and management is linked to a specific philosophy and conceptual framework (Robinson 2015).

In this thesis dissertation we limit our focus to the wider shift in approach set out by Osborne (2006) who defined three models of public administration and management and their principal features as follows: Old Public Administration (OPA; static and bureaucratic), New Public Management (NPM; competitive and minimalist) and Public Governance (PG; plural and pluralist).
1 Evolution of management models in public institutions

Osborne (2006) highlights the fact that “Public Administration and Management” (PAM) has gone through three different leading models: (i) a longer, pre-eminent model, the OPA model, spanning from the late nineteenth century to the late 1970s/early 1980s; (ii) the NPM model, spanning from the late 1980s to the beginning of the 21st century and (iii) an emerging model, the PG model. From the 70s, the Public Administrations (hereafter PAs) of western countries have been harshly criticized for self-reference, inefficiency and poor orientation towards customer satisfaction. Since the late 1970s, the majority of developed countries has carried out reforms to modernize and improve the efficiency of their public sector. The most widespread and successful paradigm is the New Public Management (NPM), formulated by Christopher Hood in 1991 (Hood 1991).

The New Public Management comprehends a cluster of theories and studies regarding the modernization of PAs through the introduction of specific management logics belonging to the private sector. The reforms that introduced NPM principles have been carried out in different ways from country to country. In some cases, reforms have focused on increasing the quality of public services for citizens-users and, in some others, they have emphasized the scaling of public equipment (De Vries and Nemec 2013). The main goals were public service quality improvements (Balk 1996), public spending savings, more efficient administrations and more effective public policy implementations (Flynn 1993; Frederic 1998; Pollitt and Bouckaert 2000).

In the last decade, however, this model has been criticized and integrated with a new approach, namely the Public Governance (PG) approach (Osborne 2006). This new paradigm aims to overcome the limits of NPM, considered by its critics to be too close to the private sector environment and, in some way, inadequate with regard to the specificities
of PA decision-making and management (Monteduro 2005). PG is based on: (i) a general orientation of public sector companies towards the outside (communities and other social and economic public and private actors in the area) rather than the inside; (ii) the importance of the relationship created between subjects belonging to a given socio-economic network and (iii) the ability of the public actor, who usually has the leading role, to manage these relationships (Badia 2007).

1.1 Public management models: a comparative perspective

Certainly there is not a single set of ideas agreed to by all those who contributed in the literature associated to each of the three models. But there are elements that seem to constitute a guiding set of ideas or a normative model that can be associated to each of them (Denhardt and Denhardt 2000).

Regarding Old Public Administration, there is a wide consensus on three characteristics that are referred to it: task separation, management by rules and a hierarchical structure (De Waele et al. 2015, Borgonovi et al. 2013). Task separation implies that public servants should be organized into units based on the activities and responsibilities they perform (Weber 1922, Udy 1959). Management by rules states that a public administration gives high importance to congruency with rules and procedures (ibidem). This entails that the formalization within this public organizations is typically high, underlying the idea that decisions made at high levels should be executed conformably by all other levels (ibidem). Centralization is referred to the idea that decision making processes are centralized and embedded within a formal hierarchical structure (Andrews et al. 2009).

In the main frameworks and contributions in the literature considered, we detected a noteworthy general agreement on these characteristics associateable to New Public
Management: performance management, corporatization, marketization and decentralization (De Waele et al. 2015, Borgonovi et al. 2013).

The idea that performance can be “managed” is crucial in NPM. Performance management includes «setting objectives and quantified targets for future achievements, the selection of indicators to measure progress, gathering data against these indicators, formally evaluating whether progress is being made, and taking corrective action when required» (Walker et al. 2010).

Corporatization is a concept that refer to the strains that public organizations do to work as if they were private firms (Shirley 1999, Bilodeau 2006, Nicholls 1989, Brown 2000). This is generally achieved by removing barriers to entry to private firms, by forcing public organizations to compete for finance on an equal basis with private firms (Shirley 1999) and by giving public managers the power and freedom to deal with their organizations in more effective ways (Verschuere and Barbieri 2009).

Marketization concerns the use of market mechanisms in public services’ delivery, e.g. by contracting-out (Rhodes 1999).

Finally, decentralization, according to Schneider (2003) embraces three dimensions, which are fiscal, administrative and political.

The characteristics on which there is a significant consensus regarding the sets of ideas differently knowns as “Post-NPM”, “Public value”, “Public service”, “New public service”, and that we gathered under the umbrella term of “Public governance” from Osborne (2006), are instead the following: cross-sector collaboration, network governance and public value.

“Cross sector collaboration” involves the settlement of public private partnerships and the setting up of coalitions of public and nonprofit agencies (Denhardt and Denhardt 2000).
“Network governance”, according to Stoker (2006), stems from the vision of a state that «should steer society in new ways through the development of complex networks and to the rise of more bottom-up approaches to decision making». Furthermore, it concerns the trend to include a wider range of participants in decision-making because they are considered legitimate members of these processes within contexts of notable uncertainty and complexity (ibidem).

Defining “Public value”, Bozeman, a leading voice in the public value literature, focuses on the policy or societal level. He writes «a society’s public values are those providing normative consensus about: the rights, benefits, and prerogatives to which citizens should (and should not) be entitled; the obligations of citizens to society, the state, and one another; and the principles on which governments and policies should be based» (2007, 17).

Besides, Beck Jørgensen and Bozeman (2007) identified seven “constellations” of public service values based on which aspect of public administration the value affects (see figure 1): (1) the public sector’s contribution to society, (2) the transformation of interests to decisions, (3) the relationship between public administrators and politicians, (4) the relationship between public administrators and their environment, (5) intraorganizational aspects of public administration, (6) the behavior of public-sector employees and (7) the relationship between public administration and the citizens.

According to this set of ideas, public organizations should just contribute to the accomplishment of public values instead of being compliant with existing procedures or the fulfillment of preconceived targets (De Waele et al 2015).
In the second chapter the key aspects concerning management and governance of each of the three different models are systematized, adopting a comparative perspective. A matrix has been set which contains the main features and concepts of each model, each of them included in the majority of the descriptive schemes formulated in literature. In particular, the framework is mainly inspired by the systematizations of Cepiku (2005), Galdiero (2009), Di Filippo (2005), Monteduro (2005), Rotondo (2011), Sancino (2010), Osborne (2006), Ewalt (2001), Barzelay (1992), Denhardt and Denhardt (2003), O’Flynn (2007), Kooiman and Van Vliet 1993, Mulgan (2000), Shamsul Haque (2000), Hinna (2008), Meneguzzo (2006), Considine (1999, 2001); Considine & Lewis (2003), Padovani et al. (2010). The three models are then described and compared using a set of analysis dimensions able to underline the main features and describe any possible difference.
1.2 The increasing complexity of public organizations

In recent decades, public organizations have been profoundly transformed, justified by the need to evolve and adapt to the social, economic and political contexts of our post-industrial society. This implies that they are now facing numerous and sometimes conflicting ideas, considerations, demands, structures and cultural elements and, for these reasons, they are becoming increasingly complex and hybrid (Kickert 2001). Moreover, “in a pluralistic society, where there are many criteria for success and different causal understandings, we have to go beyond the idea of a single organizational principle to understand how public organizations work and are reformed and look at them as composite organizations” (Olsen 2007).

According to Christensen and Lægreid (2011), complexity in public organizations may mean different things. Organization theory has considered complexity as a structural variable discerning between vertical and horizontal complexity (Anderson 1999; Daft 1992). In line with this rational, structural complexity in public organizations can be measured on the basis of some central dimensions. One is vertical specialization, another is horizontal specialization, and both have intra- and inter-organizational elements (Egeberg 2003; Gulick 1937; Simon 1957). Vertical, intra-organizational specialization says how formal authority is distributed among different levels of the hierarchy (Christensen and Lægreid 2011). Horizontal intra-organizational specialization means internal specialization within public organizations—the division of an organization into different departments and units. If we consider all these dimensions together we get an indication of how complex a system is (ibidem). One extreme is strong vertical and horizontal specialization overall, meaning strong proliferation and fragmentation, which has been typical for the NPM reforms (Pollitt and Bouckaert 2004); the other is low specialization on both
dimensions, showing an integrated political-administrative system (Christensen and Lægreid 2011).

Also the cultural complexity is part of the concept, although it is more difficult to define. Always according to Christensen and Lægreid (2011), «strong cultural complexity implies that there are a variety of informal, cultural norms and values in and among public organizations, because there are many considerations to attend to, or because subcultures have developed or else because cultural norms from different types of reforms have been combined. Weak cultural complexity means cultural homogeneity and integration—i.e., members of an organization are very committed to its basic cultural norms and values and there is a common sense of purpose and a feeling of being in the same ‘cultural boat’ (Kaufman 1960; Krasner 1988; March and Olsen 1989; Selznick 1957)».

The last meaning is that to which we refer in the third chapter of the thesis (second paper).

**Hybridity** in the public sector may also have different meanings. For some the concept is similar to complexity, instead for others it implies different structural and cultural dimensions or features existing together.

Within general theory, an organization becomes hybrid when it stands between or across the boundaries of sectors, government departments, geographic units or mixes together the governance regimes of traditional dichotomies, such as the state and the market (Gulbrandsen 2011). For example, hybrid organizations can mean quasi-governmental organizations that exist at the border between the public and private sector (Lan and Rainey 1992), which may be either market or civil society organizations (Koppell 2003); the combination of market and hierarchy (Williamson 1991); the mixture of political advocacy and service provision (Minkoff 2002); or the combination of different structural forms inside the ministry, in relation to agencies, state-owned enterprises and regional and local government (Kickert 2001; Pollitt et al. 2007).
Hybrid is also the term used to characterize diverse cultural elements like professional cultures in different parts of government. Hybridity, according to Karré et al. (2008) can thus be defined as the combination of conflicting characteristics found within a single unity. There are different explanations why these kind of organizations appear (De Waele et al. 2015). According to Lounsbury (2002) and Thornton (2012) and hybrid organizations emerge when they are in transition so that new and old logic become embedded. In itself, hybridity can be seen as the integration of diverging competing institutional logics (Battilana and Dorado 2010, Pache and Santos 2011). Moreover, building on Kuhn (1962), hybrid organizations can be viewed as the result where old and new logics meet one another. These last meanings of hybridity are the ones we refer to in the third chapter of the thesis (second paper).

![Diagram of public governance and network management]

**Figure 3. The increasing complexity of public management (Translated and adapted from Sancino 2010)**
2 Public administrations facing the economic crisis: the cutback management

The global economic crisis which began in the second half of 2008 has rushed most of the western countries and their governments into a new era of public-spending cutbacks and austerity (Pollitt and Bouckaert 2011).

During the last decade, many central governments started to review public budget often using the umbrella term of “spending review” (SR), in order to understand where and what has to be cut. According to OECD (2011), the SR is the process of developing and adopting saving measures, based on systematic scrutiny of baseline expenditure. Although many central governments use the terms “SR” in their budget revisions, not all the relative review budget programs that deliberate search for savings option should be qualified as spending review (OECD 2011). Moreover, the literature, especially for local governments, such as regional or municipal level, is mainly focused on the analysis and deeply investigations on “cutback management” or “cutback budgeting” (CB) processes rather than on “spending review”.

The seminal articles of Levine (1978; 1979) are considered the two pillars in this context: he defines cutback management as “managing organizational change toward lower levels of resources consumption and organizational activity. Cutting back an organization involves making hard decisions about who will be let go, what programs will be scaled down or terminated and what clients will be asked to make more sacrifices.” (Levine 1979).

Furthermore, the topics of fiscal stress and cutback management were outstanding themes in the public administration literature during that period (Bozeman and Straussman 1982; Dunsire and Hood 1989; Levine 1978;) and were prominent in outlining the development of New Public Management reforms at that period (Aucoin 1990).
During the recent financial crisis, fiscal stress and cutback management have become again a central topic in public administration debates (Andrews 2012). This new period of scholarship on cutback management has been characterized as an “era of cutback management” (Pandey 2010) and it’s focused more on capturing the relationship between cuts and reforms (Pollit 2010; 2011), on the necessity of principles for managing the new responsibility of government and on citizens trust and attitudes towards government (Raulda et al. 2013).

Making cuts can be approached in different ways. The main distinction is between c.d. “cheese-slicing” approach and more prioritized approaches. Each approach, as underlined by Pollitt and Bouckaert (2011), has its own advantages and disadvantages.

These are listed in the next table 1.
<table>
<thead>
<tr>
<th>Approach</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Cheese slicing</em></td>
<td>Sounds egalitarian (&quot;everyone must meet his share&quot;).</td>
<td>Programme specialists may make politically very unpopular choices.</td>
</tr>
<tr>
<td></td>
<td>Ministers avoid directly choosing which programmes will be most hurt.</td>
<td>And/or they may make selfinterested choices which hurt effectiveness whilst protecting service providers (themselves).</td>
</tr>
<tr>
<td></td>
<td>Detailed decisions delegated to programme specialists who probably know what they are doing (and can be blamed if their decisions turn out to be unpopular or hurtful)</td>
<td>May also incentivize budget holders to pad their budgets so that there will be ‘fat’ to be cut next time round.</td>
</tr>
<tr>
<td><em>Efficiency gains</em></td>
<td>Sounds less threatening/more technical—‘doing more with less’.</td>
<td>Usually requires considerable innovation - organizational and technological changes which may not work, or may not work for some time.</td>
</tr>
<tr>
<td></td>
<td>So it may be claimed that savings can be made without too much pain.</td>
<td>Probably will not yield enough by itself to correct the large fiscal imbalances</td>
</tr>
<tr>
<td></td>
<td>Also sounds ‘modern’ and ‘managerial’ and may thus appeal across party or ideological lines.</td>
<td></td>
</tr>
<tr>
<td><em>Centralized priority setting</em></td>
<td>Looks more strategic and leaves politicians directly in control.</td>
<td>Ministers become visibly and directly responsible for painful choices. And, unless they consult carefully, they may make choices with consequences they do not fully foresee, but they are unlikely to understand the internal complexities of the services which are being cut</td>
</tr>
<tr>
<td></td>
<td>Enables the government to protect the most effective programmes (if they have reliable data on effectiveness)</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 - Three approaches to cutbacks (Source: Pollitt and Bouckaert, 2011)
3 The Italian context

As described by Pollitt and Bouckaert (2011), the Italian administrative system is similar to the French’s one, indeed has sometimes been described as ‘Napoleonic’. Its significant elements are the following:

- a tradition of state direction of the economy and society;
- the presence of an “elite state cadre”, including the Consiglio di Stato (Council of State), the Corte dei Conti (national audit office) and the Ispettorato Generale (a financial inspectorate);
- the strong presence of the central state at regional level, personified in the person of the prefetto (prefect);
- the importance of a special body of administrative law, based on the concept that the state occupies an autonomous domain. A public service culture which is hence strongly juridical;
- a four-tier system—state, region, province, municipality, with large central ministries that until recently managed many functions.
- strong regional and cultural differences, despite the detailed framework of national rules and regulations (Ongaro and Valotti 2008, cit. in Pollitt and Bouckaert 2011).

The image, they conclude, is of a “slow-moving” and rather inefficient administration, although with great variation, including pockets of much more modern and innovative practice (Pollitt and Bouckaert 2011).

Regarding the implementation of managerial requalification of PAs, the Italian context has been characterized by a delay with respect to the international cycle (Ongaro et al 2013). Only since the 1990s NPM logics have been introduced by law in Italy, mainly with a top-down approach: this has been described as “a process of modernization managed by law” (Di Filippo 2005; Cepiku et al. 2008). The turning point occurred in the early 1990s: the downfall of most of the political parties which had ruled Italy for decades paved the way for the launch of a civil reform program which has favored the establishment of
autonomous administrative élites. Moreover, performance management has been introduced as a tool for steering both the political and managerial sphere (Legislative Decrees n. 29/1993 and n. 286/1999). These two waves of personnel management reform are usually mentioned to as the First and the Second Privatization, respectively (Ongaro and Bellé, 2010; Bordogna and Neri, 2011, Ongaro et al. 2013).

The task of applying these logics provided by reform thought is far from being accomplished: an “implementation gap” is highlighted in the international literature in political science, public administration, public policy on Italy, as well as in the Italian academic and public debate, «there seems to be a certain distance between the contents of what was prescribed by a spate of reform laws and the actual diffusion of the corresponding management tools; and there seems to be an even larger distance between the mere presence and the actual utilization of the management tools» (Ongaro and Valotti 2008).

However, this gap is differently detectable among the various administrative sectors: in particular, local administrations tend to be more creative, receptive and innovative. During the 1990s all the twenty Italian regions have undertaken reform processes towards NPM. However, the outcomes of such reforms are diverse. According to Ongaro and Valotti (2008), three categories can be identified: «(1) Regions that are operating with traditional bureaucratic models and routines and that have gone through the cycles of reform with formal(istic) adaptation to the new rules (enactment of a new organization law, activation of new bodies, ritual moments of evaluation, etc.). (2) Regions that have introduced the new management tools but their actual utilization does not meet the expectations. (3) Regions that fundamentally utilize, in a selective and customized way, the management tools prescribed by reforms». The situation is diversified also from the point of view of the prevalence of arguments in
support of NPM or PG in the different Italian regions in the political debate, as it emerges from a very interesting content analysis recently conducted on the political debate during one of the last regional elections (Fattore et al. 2012).

Indeed, content analysis of electoral programs for the 2005 Italian regional elections revealed that even in a legalistic country as Italy, valuable attention was paid to both NPM and PG issues. Although with different prevalence among regions; differences which were explained in that research by party ideology and by being or not an incumbent candidate (ibidem).

3.1 The Italian experience of spending review.

The first phase. The term "spending review" appears in the Italian legislation since the end of 2006. It refers to the need of contain the spending dynamics in the medium term and of improve the quality of public action operating in three basic areas:

- Modernization of the programming process of public finances;
- The strengthening of the allocative function of the state budget;
- The promotion of a greater flexibility in the management of resources in return for a greater accountability in the results (Monacelli and Pennisi 2010)

The first program of "analysis and evaluation of expenditure" was set in the budget law for 2007 and had "extraordinary" character. In 2008, with the new legislature, the program "spending review" is made permanent, entrusting it entirely to the Ministry of Economy and Finances.

It should be noted that the expenditure analysis became part of the normal cycle of financial planning and of the ordinary set of control tools (ibidem).
The second phase. After the resignation of the Prime Minister Silvio Berlusconi in November 2011, former EU-Commissioner Mario Monti took the office with a technocratic government. He set out a broad reform agenda with the objective to reduce the country’s fiscal deficit, grew up to 120.1 per cent in 2011, according to ISTAT (the National Institute of Statististics, it. Istituto nazionale di Statistica). In order to ensure the success of the programs of economic recovery and to stimulate growth and competitiveness, the government launched a new public spending review process (Arena et al. 2013).

According to Arena et al. (2013), given the strict time constraint the government faces, the spending review was a functional and efficiency spending review: indeed, the government tried to increase the efficiencies of the public administration and limit waste in a relatively short period of time. The spending review considered areas of expenditure managed on the State’s budget, therefore without affecting expenditures of local authorities and regions and transfers to them. First, the departments involved were the Ministry of Interior, Ministry for Education, the Ministry of Justice, the Ministry of Defence and the Ministry of Regional Affairs. Then, the spending review was extended to other departments. The Italian spending review planned savings of € 28.5 billion over the period 2013-2015 (ibidem).

The cutback strategy. The strategy adopted by the government was to reduce waste, rearrange activities and public institutions, reset the boundaries of public intervention, and tightening, with different degrees, the frontiers of the public sector. Therefore, the cutback strategy combined efficiency gains measures and centralized priority setting measures. It did not include across-the-board cuts, although Italy was faced with pressure from the public and the European Union. However, as said before, the spending review ended up being more functional rather than strategic because of the strict time constraint. The main
actions consisted in reducing staffs, centralizing the purchases of goods and services and reduction of public assets (ibidem).

4 The methodological approach: the single-case study

The methodological approach used in developing the researches subjects of the third and fourth chapters of this thesis is the single case study. There are different ideas about what a case study is. According to Baxter and Jack (2008), the qualitative case study is an approach to research that enables exploration of a phenomenon within its context using a variety of data sources. This makes sure that the subject «is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood». In other words, the case study is a kind of empirical inquiry that facilitates the in-depth examination of a particular phenomenon, issue or object in real life situations. Commonly, case studies are the ideal method when you need to answering questions of ‘how’ and ‘why’, when there is a little control over events (ibidem).

Obviously, a case study should have a “case” which is the object of study. Most of the case study researchers (Yin 1994; Merriam 1988; Stake 1995, 1998; Miles & Huberman 1994; Gillham 2001) seems agree on defining it as a “complex functioning unit” which should be investigated in its natural context with a multitude of methods, and that is contemporary (Johansson 2003).

A case study focus on one case, but simultaneously take account of the context, and so encompass many variables and qualities. Johansson (2002) have labelled this strategy “explicative” as opposed to “experimental” (one unit of analysis and a few isolated variables) and “reductive” (many units of analysis and a few variables). In his conceptual
framework for research methodologies, he focuses on the different strategies that can be applied to reduce data in order to make the empirical world amenable to investigation. The number of variables (qualities) that are considered, or the number of cases (units of analysis), or both, can be reduced. (see Figure 3).

Figure 4. Three strategies to focus empirical research by reducing the units of analyses (cases), the number of variables (qualities), or both. The three strategies imply different methodologies. Case studies are a form of explicative strategy. Source: Johansson 2003

Finally, we have to consider that case studies combine in themselves the other research strategies. In that respect the case study could be said to be a meta-method (Johansson 2003). Indeed, it is important to remember that a case study design should not be confused with qualitative research because a case study approach can use both or any mix of qualitative and quantitative research methods.
Advantages and disadvantages. As already mentioned, the main strength of the case study approach is its capacity to facilitate in-depth research and the gathering of detailed information about a certain phenomenon or particular case. The phenomenon can be understood in its own context, allowing the researcher to gain insights into the causes of it, including the relationship between causes and outcomes. Case studies provide high conceptual validity and allow new research questions, hypotheses and emergent theories to be tested (Flyvbjerg 2011). In order to provide the complete picture of an issue, case studies allow data to be collected from multiple methods (Neale et al. 2006).

On the other hand, the case study approach has its limitations as well, particularly this approach has been frequently criticised for its difficulties to allow generalization from one case to others. Further limits are linked to a weak understanding of how widespread a phenomenon is across a population, to the fact that its statistical significance is often unknown or imprecise, and to the problem of the selection bias that may overstate or understate relationships (Flyvbjerg 2011). Last of all, it should also be highlighted that case studies imply an intense data collection process which can produce an overload of information (Kohn 1997). For this reason case studies can be quite a lengthy and time consuming undertaking (Neale et al. 2006).

4.1 The object of the case study: Tuscany Regional Authority in Italy

From the research point of view it has been considered interesting to develop an analysis of an Italian region as a local entity, because of the distinctive features that regions have and the management implications stemming from the recent institutional reforms which
applies to regions as well. Italian regional administrations are currently characterized by a multifunctional activity, because they work on many areas of expertise and because there are two simultaneous decision-making levels, a political one and a technical one, with the latter expressed by top management. Besides that, a network of other local authorities has progressively grown over time; they fulfill some instrumental functions as, for example, the delivery of some peculiar, well-defined services. Such agencies or companies require regional administrations to exercise both a coordination/control function and a decision-making one, because they are granted financial resources by regional administrations themselves (Di Filippo 2005).

The object of this case study is Tuscany Region. Established as an ordinary statute region, Tuscany started to operate in the second half of the 1970s: nowadays, it has a population of about 3,700,000 and is one of the most developed and wealthiest Italian regions (ISTAT 2012). On the basis of its statute, issued in 2005, Tuscany “operates with the goal of achieving full development of people and the principles of freedom, justice, equality, solidarity, respect for personal dignity and human rights”. Tuscany Region bases its mission on the subsidiarity principle and operates to bring the organization of social life and the exercise of public functions much closer to citizens. The Statute indicates planning as the core process of all regional activities and sets annual and periodical goals to be achieved.

Besides, Tuscany is considered one of the most innovative regions as for PA’s management: since 2004 a Performance Evaluation System (PES) of the entire regional healthcare system has been developed, in order to monitor, compare and benchmark the results of local health authorities, and set regional and local targets. Local and regional top

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1 Two presidential decrees, enacted in 1972 and 1977, transferred functions and offices from the State to regions, prompting the necessity to set up and launch the so-called management, control and planning activity, as under art. 117 of the Italian Constitution.
managers, are responsible for the achieving of the tasks demanded by PES (Cinquini and Vainieri 2008, Nuti et al. 2012). In 2011, the year considered in this research, the regional PA had 2269 employees, 131 of whom were managers. The regional operating structure was composed by a Regional Advocacy, which holds an autonomous position, and five General Directions (GD), each responsible for a different sector (under Regional Law n. 01/2009): Presidency (it. Presidenza; responsible for: regional planning and control system, special projects, coordination, institutional communication); “Organization and resources” (it. Organizzazione e risorse; responsible for: investments, organization, human and financial resources, budget); “Competitiveness of the regional system and skills development” (it. Competitività del sistema regionale e sviluppo delle competenze; responsible for: education, culture and economic development); Citizenships rights and social cohesion (it. Diritti di cittadinanza e coesione sociale; responsible for: health and social system); “Territorial, environmental and mobility policies” (it. Politiche territoriali, ambientali e per la mobilità; responsible for: agriculture, environment and transport policies). GDs are the largest structures supporting the regional government and are composed of Coordination Areas (CA); they are responsible for the achieving of the regional targets relevant to their areas of expertise; they have independent accounting, planning and control systems.

5 Research questions and final outputs of the PhD

Considering these premises, the thesis addresses the following research questions:

RQ1. Which are the main features of the main public management models recognized in the literature?

RQ2. How do different public managerial logics coexist in the same institution in a certain period?
RQ3. What are the possible approaches that can be adopted by local governments to deal with the reduction of public resources in a phase of economic crisis?

In order to answer the first question, in the Chapter 2 a conceptual framework, based on the literature referring to the economical, political and social sciences has been developed. Its aim is to systematize and compare the key aspects regarding management and governance of each of the three different models, developing an analytical framework (Ragin 1987, 1994; Rihoux and Ragin (2009).

The second question is answered in the Chapter 3. An explorative qualitative case study has been conducted to verify the coexistence of different Public Administration models in the same organization (the Tuscany Region of Italy) at a certain period. The transformation process and the coexistence of different models were studied by analyzing the perspectives of top-level managers and policy makers in interviews and the context of administration planning and control systems found in documents and regional laws.

Finally, the answer to the last question is derived from a short exploration of the cutback management literature and the analysis of the Tuscany Region experience.

The following table include details of the three papers, by summarizing:

- The research questions of each paper;
- The type of paper and the methodology used;
- The limits of the research carried out;
- The contribution to the literature.
<table>
<thead>
<tr>
<th>Paper title</th>
<th>Public sector organizations between Old public administration, New Public Management and Public Governance: an analytical framework</th>
<th>Public organizations between Old Public Administration, New Public Management and Public Governance: ‘The case of the Tuscany Region’</th>
<th>Cutback management: approaches and actions from local government in Italy</th>
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<td>Authors</td>
<td>Nicola Mario Iacovino</td>
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<td>Sara Barsanti, Milena Vainieri, Nicola Mario Iacovino, Sabina Nuti</td>
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<td>State of the art</td>
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<td>Published <a href="http://link.springer.com/article/10.1007%2Fs11115-015-0327-x">link</a></td>
<td>Accepted and presented</td>
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<tr>
<td>Research questions</td>
<td>- Which are the main features of each of these public management models? - How do different public managerial logics coexist in the same institution in a certain period? - How did the transition from one model to another take place? Through a linear substitution process from one model to another, or rather a layering process of each model? - What are the possible approaches that can be adopted by local governments to deal with the reduction of public resources deriving from the economic crisis? - What can be learned from the experience of cutback management of the Tuscany region?</td>
<td>- How do different public managerial logics coexist in the same institution in a certain period? - How did the transition from one model to another take place? Through a linear substitution process from one model to another, or rather a layering process of each model? - What are the possible approaches that can be adopted by local governments to deal with the reduction of public resources deriving from the economic crisis? - What can be learned from the experience of cutback management of the Tuscany region?</td>
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<tr>
<td>Keywords</td>
<td>Public management, public administration, new public management, public governance</td>
<td>Public management, public administration, new public management, public governance, layering process</td>
<td>Cutback management, cutback budgeting, local government, performance.</td>
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<tr>
<td>Type of paper</td>
<td>Conceptual development</td>
<td>Conceptual development with empirical findings. Case study of Tuscany Region. Data collection through documents and interviews</td>
<td>Narrative / descriptive. Case study of Tuscany Region</td>
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<td>Limits</td>
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<td>The main limitation of the paper is related to the fact that the research</td>
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</table>
MANAGING LOCAL PUBLIC ADMINISTRATIONS BETWEEN COMPLEXITY AND ECONOMIC CRISIS.
THE CASE OF TUSCANY REGION

| Literature, and not on a proper literature review. | Analysis methodology, which can create biases due to the lack of independence and/or personal prejudices of the people interviewed, the quantification metric used and the subjective understanding of the issues by the researchers themselves. An ulterior limit may stem from the fact that our research comprises a single-case study in a limited time, which doesn’t allow us to generalize our results. Finally, further research is needed to carefully investigate this subject by taking into account other variables, such as the individual characteristics of managers, organizational features, and time periods, to better understand management dynamics. | Comprises a single-case study, not allowing to generalize the results. |

| Contribution to the literature | The paper contributes to the current debate on general trends in public administration literature, regarding the main sets of ideas, especially the working ones in the transition from bureaucratic to post-bureaucratic structures and processes, and on their impact on the public organizations. | The paper is significant because it tries to explore with an empirical study a field (Public Management paradigms’ one) not so rich of this kind of studies. The discussion of the results may serve as the point of reference for shaping an evidence-based policy in the area of public management. | The Tuscany Region experience is an example of an hybrid and controversial experience in cutback management. Describing results at regional level represents an interesting point of view considering that this type of institution arises between the national level, that for some sectors decides the amount of funding and any eventual cuts or budgeting review, and the local level, such as the municipalities, to which instead results in turn funder and controller. |
6 Additional publications carried out during the period of PhD Candidature

- “Quale salute per i detenuti”, Capitani G. e Iacovino N., in Il Sole 24 Ore Sanità – Toscana, 2-8th december 2014


- “Le strutture e i servizi per la Riabilitazione e la Disabilità in Toscana - I risultati della mappatura - Anno 2012”, Capitani G., Iacovino N. (edited by), Edizioni ETS, Pisa, 2014


- “Mmg promossi, ma le Asl informano poco sui servizi”, Barsanti S., Iacovino N., e Vasta F., in Il Sole 24 Ore Sanità – Toscana, 10-16th september 2013


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Chapter 2
PUBLIC SECTOR ORGANIZATIONS BETWEEN OLD PUBLIC ADMINISTRATION, NEW PUBLIC MANAGEMENT AND PUBLIC GOVERNANCE: AN ANALYTICAL FRAMEWORK

"It would be wonderful if the public sector were always great, or always terrible; or if the private sector were always great, or always terrible. Alas, reality is more complicated than comforting caricatures. Governments fail, and corporations fail."

(J. Meacham, writer, journalist and editor)

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To be submitted

Abstract:
New public management (NPM) and Public Governance (PG) are two sets of ideas that are widely established over the last few decades in the field of public administration. They come after the pre-eminent model of old Public Administration (OPA).

These streams of ideas affect the way in which public organizations operate.

This paper provides a current overview of the existing body of literature in the field of public management and administration, and develops a framework for analyzing the key aspects of the three public management models - although such a tripartite modeling is a simplification because in the reality elements of each model can coexist or cross each other.

It tries to answer how these three different sets of ideas impact on organization reality and how they affect the different dimensions of the management of a public institution.
Finally, the paper stimulates discussion about hybridity, complexity and innovation in the public organizations.

Key words

public management, public administration, new public management, public governance
1 Introduction and aims

During the last decades, public administrations (PAs) have gone through a deep transformation, necessary to fulfill the needs of evolution and adaptation to the social, economic and political context of modern post-industrial societies.

Some authors, speak even of “re-inventing of the public sector”, an expression which might describe the many dimensions of contemporary state rearrangement and public sector reform in European and western countries (Pedersen and Hartley 2008). Pollitt and Bouckaert (2011), note that such reforms have been endemic in public services but that the latest period is peculiar in being clearly international, with an international lexis, suggesting an unitary approach to “modernisation” of public services, but in fact hiding a heterogeneity of activities and consequences.

Since the late 1970s, all main developed countries have been carrying on paths of reform in order to modernize and improve the efficiency of their public sector. The most widespread and successful trend is the New Public Management (NPM), formulated by Christopher Hood in 1991 (Hood 1991).

In the last decade, however, this model has been criticized and integrated by a new approach, namely the Public Governance (PG) (Osborne 2006).

This new set of ideas aims at overcoming the limits of NPM, considered by its critics as too close to the private sector environment, and in some way inadequate with regard to the specificities of PAs’ decision-making and management (Monteduro 2005, Rhodes 1997, Pierre 2000, Kooiman 1999).

Osborne (2006) highlights that «the NPM has actually been a transitory stage in the evolution from traditional PA to (...) the New Public Governance (NPG)» (Osborne 2006,
377). He states that “Public Administration and Management” (PAM) has gone through three different leading models: (i) a longer, pre-eminent model, PA, spanning a period from the late nineteenth century to the late 1970s/early 1980s; (ii) a second model, NPM, from the late 1980s to the beginning of the 21st century; (iii) a third emerging model, Public Governance. Also Benington (2007) believes that there are three “paradigms”, intended by him as «ideological conceptions of governance and public management», at work at the same time: he names them as «“traditional” public administration, “new” public management, and “networked governance”». He states that each “paradigm” co-exists in the public sector and they form the realities for managers and politicians, with particular conditions or backgrounds driving to behaviours and decisions derived from one or the other conception of governance and service delivery.

Our questions are centered on the repercussions that these sets of ideas have in public organizations.

1- Which are the main features of each of these public management models?

2- How these three different sets of ideas impact on organization reality?

3- How they affect the different dimensions of the management of a public institution?

In order to answer these questions, a conceptual framework based on the literature has been developed.

The last question we want to answer is instead purely epistemological, and it’s about if these three "models" or currents of thought may or may not be considered as a paradigm in the sense of Kuhn’s theory of science (1970).
The aim of this paper is to systematize and compare the key aspects regarding management and governance of each of the three different models, developing an analytical framework (Ragin 1987, 1994; Rihoux and Ragin (2009)). We set a multidimensional matrix through which the three models are described and compared using a set of analysis dimensions able to underline the main features and describe any possible difference. The construction of this matrix is based on a short exploration of the literature. Concerning literature sources, the field of research has been limited to cover only literature referring to the economical, political and social sciences. Most of the analysed documents are, nevertheless, characterized for embracing a multidisciplinary approach such as public management and public administration studies. We considered three main sources of literature, including articles in journals, monographs and papers presented in the main research networks on public administration. For the creation of the grid we paid particularly attention and we inspired to other grids and descriptive schemes formulated in the literature.

2 Reference models in public management literature.

A significant literature has grown up regarding general trends about mainly the shift from bureaucratic to post-bureaucratic structures and processes. These include the definition of «Weberianism and New Weberianism», that can also be defined as “Old Public Administration” to the NPM and the Public Governance (Cepiku and Mititelu 2010).

Old Public Administration (OPA). The traditional model of public administration is basically based on the articulation by Max Weber of the nature of bureaucracy. Weber (1922) highlighted control from top to bottom in the form of monocratic hierarchy. The
bureaucratic system rests on a set of rules and regulations stemming from public law; the system of control is rational and legal. The role of the bureaucrat is strictly subordinate to the political superior (Pfiffner 2004).

As Weber’s literature on bureaucratic organizations emphasizes, the characteristics of this kind of organization are:

1. *A rational-functional organization* in accordance with a rational principle of clear definition role in resolving the problems and achieving the objectives.

2. *A rule-based organization* where the authority is rule-driven and distributed in a stable way and is strictly delimited by rules.

3. *A hierarchical organization* with several levels of execution and management (Weber, 1922, pp. 956-963)

Within this hierarchy, each organizational role is clearly settled. The literature on Weberian administration discloses some specific features: reaffirmation of the state as the main facilitator of solutions; reaffirmation of the representative democracy’s role (at central, regional, and local levels) as the legitimating factors within the government apparatus; reaffirmation of the role of administrative law and preservation of the idea of public service (Pollitt and Bouckaert, 2011, Cepiku and Mitiletu 2010).

From a procedural point of view, in the OPA model: programs are implemented through top-down control mechanisms, limiting discretion as much as possible; bureaucracies seek to be closed systems to the extent possible, thus limiting citizen involvement; efficiency and rationality are the most important values in public organizations; public administrators do not play a central role in policy making and governance. Rather, they are charged with the efficient implementation of public objectives (Denhardt and Denhardt 2003).

**The New Public Management (NPM).** From the 70s, the Public Administrations (hereafter PAs) of western countries have been harshly criticized for self-reference,
inefficiency and poor orientation towards customer satisfaction. Since the late 1970s, the majority of developed countries has carried out reforms to modernize and improve the efficiency of their public sector. The most widespread and successful paradigm is the New Public Management (NPM), formulated by Christopher Hood in 1991 (Hood 1991). The New Public Management comprehends a cluster of theories and studies regarding the modernization of PAs through the introduction of specific management logics belonging to the private sector; NPM can be recognized in the reform movements born, for example, in the UK, USA, Australia and New Zealand since the late 70s. Christopher Hood introduced for the first time in 1991 this “loose term” (in his own words), which encompasses into various theoretic roots the origins of the principles, which inspired the reformers: from public choice theory to the transaction costs theory, to the “principal-agent” theory (ibidem).

The key elements identified by Hood are:

1. increasing freedom of a professional élite of public sector managers in place of paying attention to the traditional concerns about policy skills.

2. focus on measuring performance through the establishment of goals, targets and indicators that can be quantitatively measured.

3. Increased control of outputs, with an emphasis on the results achieved rather than on the processes involved.

4. breaking-up parts of the public sector into agencies that relate to one another on a user-pays principle.

5. An emphasis on increased competitive pressures within the public sector.

6. An increased emphasis on introducing management techniques and practices borrowed from the private sector and extending management’s ability to hire and fire and reward public servants.

Another milestone in the definition of NPM concepts is Osborne and Gaebler’s 1992 book: they affirmed that PAs do not work so efficiently because they are “dispersive and lazy”, and obsessed by rules and regulations. The authors suggested a kind of “Business-public sector”, that is an administration able to compete with for-profit businesses and no-profit agencies as well as with the private sector. In this vision “Business administration” would be: catalytic, more steering than rowing (focused on management); community-owned (empowering rather than serving); competitive, by injecting competition into service delivery; mission-driven instead than rule-driven; results-oriented; customer-driven (the last goal is the satisfaction of clients’ needs); enterprising; anticipatory; decentralized and market-oriented (Osborne and Gaebler 1992).

While Osborne and Gaebler (1992) stated that improvement in public action would inevitably require a cut in public intervention and an increasing privatization, Hood (1991) sees NPM as a set of recommendations aimed at making the public sector better organized and managed on the inside.

The reforms that introduced NPM principles have been carried out in different ways from country to country: as a matter of fact, in some cases reforms have been focused on increasing the quality of public services for citizens-users, in some others they have emphasized the scaling of public equipments (De Vries and Nemec 2013); in some cases reforms had a top-down approach, as in New Zealand and the UK, in some others a bottom-up approach, as in Scandinavian countries (Pollit and Bouckaert 2000, Goddard 2005, Monteduro 2005, Broadbent and Guthrie 2008). The main goals were public services’ quality improvement (Balk 1996), public spending savings, increase of administrations’
efficiency and a better effectiveness of public policy implementation (Flynn 1993; Frederic 1998; Pollitt and Bouckaert 2000).

**Beyond the NPM, towards the Public Governance (PG).** Changing processes inspired by NPM principles highlighted many limits and not always led to desired results. In particular, too much emphasis has been put on accounting and management techniques, inessential details and a strict application of universal and standard solutions regardless of the context: these elements tend to favour internal management aspects, at the expense of governance issues and impact on the external environment (Anessi-Pessina and Steccolini 2005, Olson *et al.* 2001, Christensen 2012).

The glaring evidence of the limits emerged during the first reform experiences made the new approach known as Public Governance spread. PG is based on: (i) a general orientation of public sector companies towards the outside (communities, other social and economic public and private actors present on the territory) rather than on the inside; (ii) the importance of the relationships created among the various subjects belonging to a given socio-economic network; (iii) the ability of the public actor, who usually has the leading role, to manage these relationships (Badia 2007).

However, we can interpret these concepts in a solution of continuity with NPM, because PG enriches its contents and logics. «Public governance model is seen as an enrichment of NPM paradigm, who mainly interests the relationship between political and administrative level, an enhancement of instruments aimed to the engagement of the stakeholders in the definition and implementation of public policies; an evolution of the relationships of internal and external cooperation to the PA; accountability aspects of PA toward citizens» (Jones *et al.*, 2004, ix).

Public Governance has been heralded as the “new” post-NPM paradigm, with an emphasis on the need for governments and public sector to strengthen transparency, openness and
participation. Moreover, in order to pursue of public interest, they should enhance their capacity of managing, steering and monitoring contracts, partnerships and relationships with private and public organizations, and to take part in public networks.

The mission of public companies and administrations consists not only in an efficient, effective and economic production of public services, but it also requires mechanisms of accountability between the State and its community, which should be considered not only as composed of services users/customers, but of citizens as well: therefore accountability, control, empowerment, transparency and participation issues become as relevant as the economic and effectiveness ones.

The rise of these models has made necessary a new regulation of management instruments, not only on the inside of public organizations, but also on their environment. «New needs to fulfill are emerged, from which a series of additional abilities to develop is born, as the interdependence governance, external representation, mediation and social business, creation, design and management of public interest networks, mapping, hearing and involvement of stakeholders» (Sancino 2010).

NPM cannot be said as surpassed, rather it has been integrated and improved by public governance’s new principles. The two models coexist: «Many NPM based tools and instruments are still used and optimized in order to support process improvements. Internally governments are still trying to optimize their internal workings. They do this by many different patterns, at least partly diverging from of the ideas of NPM, which in itself showed significant shortcomings, although the emphasis therein seems to shift from increased efficiency to improved effectiveness. On the external side, regarding state-market relations the chapters in this book are indicative for the conclusion that a shift is indeed visible from emphasizing minimal government (NPM) into a trend towards good
governance. Government is not yet completely back, but the first – still divergent – steps into this direction are visible» (De Vries and Nemec, 2013).

3 The comparison of the models: a conceptual framework

In order to systematize and compare the key aspects regarding management and governance of each of the three different models, a matrix has been set which contains the main features and concepts of each model, each of them included in all the descriptive schemes formulated in literature. In particular, the framework is mainly inspired by the systematizations of Cepiku (2005), Galdiero (2009), Di Filippo (2005), Monteduro (2005), Rotondo (2011), Sancino (2010), Osborne (2006), Ewalt (2001), Barzelay (1992), Denhardt and Denhardt (2003), O’Flynn (2007), Kooiman and Van Vliet 1993, Mulgan (2000), Shamsul Haque (2000), Hinna (2008), Meneguzzo (2006), Considine (1999, 2001); Considine & Lewis (2003), Padovani et al. (2010).

The three models are then described and compared using a set of analysis dimensions able to underline the main features and describe any possible difference, here listed:

1. Leading logic/Object. It is the most important logic standing above organizations management. As described by Galdiero (2009), we can distinguish the three following logics, each of them attributable to a different model. OPA: Bureaucratic. The focus is on legitimacy, respect of rules and strict and predetermined procedures. A bureaucratic organization is the one normally accepted in a steady environment in which it is possible to set a standard for products produced or services delivered. Following the classic definition of Weber (1922), it is founded on hierarchical principles, strictly set among different offices, of jurisdictional “competency”, it does not involve any flow of functions from an office to another, not even in the vertical sense; it requires documentation of procedures and acts, specialization of functions and employees skills, employees commitment for the
organization; it excludes any possibility of solving problems and achieving tasks in any different ways from the one set in rules. NPM: internal efficiency. The focus is on management, seen as the set of working logics of every single PA (Cepiku 2005, Galdiero 2009). PG: System efficiency, effectiveness. The focus is on the policy making process results, services, management and democracy concerned issues. Efficiency and effectiveness are pursued at the social-economic system level (ibidem).


3. Perspective. Considered by Cepiku (2005). Interventions viewpoint toward the external environment (Cepiku 2005, cfr. Kooiman and Van Vliet 1993). The OPA is micro and self-referential, with an emphasis on rules and regulation (procedures). NPM is focused on micro dimension, with an emphasis on the use of business management in PAs. Administration role is centered on problem solving and internal working. PG logic involves three levels: Micro (each PA), Meso (systems of companies and PAs), Macro (socio-economic system). Action is oriented towards the outside-and the governance of systems and networks of socio-economic subjects. In PG model all three perspectives are bound together (ibidem).

4. Relevant dimensions. Relevant dimensions are the most important aspects, in which all management activities and performance evaluation of PA are concentrated. Conformity and administrative legitimacy of rules and regulations are the main relevant dimensions for
OPA. NPM is focused on ultimate performance results in an economical and managerial perspective: efficiency, effectiveness, economy. In PG logic the “3E” paradigm (efficiency, effectiveness, economy) involves the introduction of many other equally important dimensions such as equity, transparency, ethics, quality improvement, economic, social and environmental sustainability of policies, accountability to different internal and external stakeholders (Meneguzzo 2006, Brignall and Modell 2000). Following PG logic, the effectiveness of public behaviours depends on the ability of each organization to coordinate and carry out the following tasks at the same time: (i) generate value: for political subjects, stakeholders, who detain legitimate interests with respect to the effects produced, citizens; (ii) be sustainable: resources must be quantitatively and qualitatively adequate, with respect to the planned tasks; (iii) external support: sponsorship by some groups of interest (Di Filippo 2005).

5. Internal relationships. This dimension concerns those features mainly involved in the relationships among subjects operating within the organization. In the OPA model, relationships are mainly based on hierarchical principles of expertise and specialization (Di Filippo 2005). NPM features a distinction between the political level, where strategic decisions are taken, and the administrative one (management). In NPM politicians have a strategic, goal-setting role, while civil servants are supposed to be autonomous managers held to account through performance arrangements and incentives (Cepiku 2005, Galdiero 2009, Pollitt and Bouckaert 2011, Ter Bogt 2003). PG overcomes the dichotomy between politicians and managers, reconciling their interests at the administrative level (ibidem).

6. Decision-making contents. This dimension considers the characteristics of the decision-making processes and evaluation criteria of decisions (Cepiku 2005, cfr. Kooiman and Van Vliet 1993). OPA: contents are specific and strict. NPM/PG: multiple criteria are introduced to evaluate decisions. Differences about this dimension are nuanced between
the two models, consisting in a greater or lesser flexibility and adaptability of decisions regarding administration’s contexts of intervention (Cepiku 2005).

7. **External relationships.** Here the focus is on the nature of the relationship between PA and other public and private actors (Cepiku 2005, cf: Kooiman and Van Vliet 1993, Galdiero 2009). OPA: approach to the external context is shaped by a public monopoly conception of public services delivery (Galdiero 2009). NPM: PA is no more seen as the sole monopolistic service provider. Therefore, external relationships become more oriented towards competition and even contrast between public-public and public-private subjects. A kind of fragmentation/disintegration of the “PA system” is recognizable. PG: external relationships are oriented towards cooperation among PA and other public and private subjects (Galdiero 2009, Cepiku 2005).

8. **Accountability.** The main sense of ‘accountability’ is that associated with the process of being called ‘to account’ to some authority for one’s actions (Jones 1992, Mulgan 2000, Shamsul Haque 2000). According to Mulgan (2000), such accountability has a number of features: «it is external, in that the account is given to some other person or body outside the person or body being held accountable; it involves social interaction and exchange, in that one side, that calling for the account, seeks answers and rectification while the other side, that being held accountable, responds and accepts sanctions; it implies rights of authority, in that those calling for an account are asserting rights of superior authority over those who are accountable, including the rights to demand answers and to impose sanctions». OPA: the accountability it’s only intended from the implementors of public policy to the governing constitutional rulers (Pfiffner 2004). PA considers the recipients of its action as passive “users”, that you do not have to be accountable with. NPM: recipients are seen as “customers”, as bearers of interests and needs. Public servants, particularly those engaged in service delivery, are now also seen as accountable ‘outwards’, immediately to the public,
through the requirement that they respond directly to their clients’ expressed needs (Corbett 1996, Mulgan 2000). PG: it is seen as necessary to ensure such accountability not just to the affluent users or customers of public sector services but to all groups and classes of citizens, including for example low-income households. Indeed, the concept of customer used in the marketplace is devoid of entitlements or rights associated with citizenship. (Shamsul Haque 2000).

9. Planning and control systems orientation. OPA is task-oriented, therefore measurement systems emphasis is put on inputs and formal outcomes, and especially on financial resources. The underlying logic requires to verify that financial resources are appropriately used with regard to spending legitimacy and conformity with the purposes and regulations established by the law. Moreover, applicable regulations determine how measurement systems are designed and how often information is gathered. NPM’s logic requires measurement systems emphasis to be put on produced goods and delivered services (output) instead than on used resources. PG’s measurement systems put emphasis on results (outcome), to which politicians, citizens and companies are interested in as well (Ewalt 2001, Barzelay 1992, VV.AA. 2007).

10. Governance models. The distinction that we drew refers to the “Four governance model” framework by Considine (Considine 1999, 2001; Considine & Lewis 2003, Padovani et al. 2010). Each of Considine’s four models (procedural, corporate, market, and network) has a distinct source of rationality, form of control, primary virtue, and service delivery focus. OPA: Procedural governance. The core attributes of procedural governance are: respect of rules and protocols, high reliance on supervision, expectations of clearly outlined tasks and decisions (ibidem). NPM: Corporate governance. Budgeting and reporting have a considerable importance, and a public administration uses them to focus on outputs instead than on inputs and on specific groups of citizens who are delivered
services. Great emphasis is put on the shift from following rules to achieving results (ibidem). PG: Market/Network governance. Market governance, contracting out, competitive tenders, and principal agent separation are employed to respond to financial signals and competitive pressures. A fourth network model can be identified, in which government still relies on outside agencies, but in stronger strategic partnership way, and where competition and contract confidentiality are replaced by joint action (ibidem).

The above described dimensions of the managerial models are summarized in Table 1.
Table 1 – Public management models reference grid

<table>
<thead>
<tr>
<th>Leading logic/ Subject</th>
<th>Old Public Administration OPA</th>
<th>New Public Management NPM</th>
<th>Public Governance PG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bureaucratic.</strong></td>
<td>Focus on <strong>Legitimacy</strong>, compliance with predetermined and strict rules and procedures</td>
<td>Focus on <strong>Management</strong> and the working logic of each single PA</td>
<td>Focus on <strong>policy-making, public services, management and democracy</strong></td>
</tr>
<tr>
<td><strong>Systemic approach</strong></td>
<td>Closed system</td>
<td>Partially closed system</td>
<td>Partially open system</td>
</tr>
<tr>
<td><strong>Dimension given by Galdiero (2009) and based on organization theory (Thompson 1967, Denhardt and Denhardt 2003)</strong></td>
<td>The organization is centered on its internal bureaucratic and administrative dynamics with an inadequate concern for the external environment</td>
<td>The organization is oriented towards results</td>
<td>The organization is more oriented towards relationships and its strategic external environment, stimulating process of integration and coordination.</td>
</tr>
<tr>
<td><strong>Perspective</strong></td>
<td>Micro / Self-referential</td>
<td>Micro</td>
<td>Involves all three levels:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Meso (PAs and company systems)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Macro (socio-economic systems).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Action is focused on the outside, towards the governance of systems and networks involving social and economic subjects.</td>
</tr>
<tr>
<td><strong>Relevant dimensions</strong></td>
<td>Legitimacy and Administrative conformity with rules and regulations</td>
<td>Effectiveness, efficiency, economy</td>
<td>Effectiveness, efficiency, economy +</td>
</tr>
<tr>
<td>It refers to the most important aspects which concentrate all management activities and performance evaluations in PA. (Meneguzzo 2006, Brignall and Modell 2000, Di Filippo 2005)</td>
<td>The focus is on ultimate performance results in an economical and managerial perspective (cf. the so-called “3E’s” principles)</td>
<td>Equity, transparency, ethics, quality improvement, economic, social and environmental sustainability of the implemented policies, accountability: ability to account for different internal and external stakeholders.</td>
<td></td>
</tr>
</tbody>
</table>
The performance evaluation takes into account other dimensions than those of the “3E’s” principle.

### Internal relationships
This dimension regards those features mainly involved in the relationship between subjects which operate from the inside of the organization. (Cepiku 2005, Galdiero 2009, Pollitt and Bouckaert 2011, Ter Bogt 2003)

### Hierarchical relationships, planning principles of specialization and expertise
Separation of the political level from the administrative level (management). Politicians have a strategic, goal-setting role, and civil servants are supposed to be autonomous managers held to account through performance arrangements and incentives.

### Overcoming of the politician-manager dichotomy
Reconciling interests at the administrative level.

### Decision-making contents
Characteristics of the decision-making processes and evaluation criteria of decisions (Cepiku 2005, cfr. Kooiman and Van Vliet 1993)

### Specific and strict
Introduction of multiple criteria for the evaluation of the decisions. List of criteria to be used in order to decide and evaluate the effectiveness of decisions

- **Flexibility**
  +

Differences in this dimension are nuanced between the two models, consisting in greater or lesser flexibility and adaptability of decisions regarding an administration’s contexts of interventions.

### External relationships

### Public monopoly
PA is the only provider of public services

### Competition / contrast
public-public and public-private. Fragmentation/disintegration of the “PA system”.

### Cooperation
among PA, other public and private subjects.

### Accountability
The principle of “being called to account for one’s actions” (Malgat 2000, Shamsul Haque 2000).

### User
Citizen as a “passive” subject

### Client
Client is seen as a bearer of interests and needs PA

### Citizen
Not just service users or customers, but also active public policy recipients

### Planning and control systems orientation

### Input, formal results
Measurement system emphasis is on the resources used (input), especially financial resources.

### Output
Measurement system emphasis is set on goods and services delivered (output), instead of resources used.

### Output, Outcome
Multiple objectives are measured, including service outputs, satisfaction, outcomes, trust and legitimacy.
Governance model

The distinction refers to the four governance models (procedural, corporate, market, and network) framework by Considine (Considine, 1999, 2001; Considine & Lewis, 2003, Padovani et al. 2010).

<table>
<thead>
<tr>
<th>Governance model</th>
<th>Procedural governance</th>
<th>Corporate governance</th>
<th>Market or Network governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Following of rules and protocols, high reliance on supervision, and an expectation that tasks and decisions will be well scripted.</td>
<td>Budgeting and reporting have a considerable importance, and using them in a public administration concentrates on outputs instead of inputs, focusing on specific groups of citizens who are receiving services.</td>
<td>Market governance, contracting out, competitive tenders, and principal agent separation are employed to respond to financial signals and competitive pressure. In network models, the government continues to rely on outside agencies, but in a stronger strategic partnership, and where competition and confidentiality of contracts are substituted by joint action.</td>
</tr>
</tbody>
</table>
4 Are OPA, NPM, PG paradigms?

The issue concerning if OPA, NPM, PG can be defined as ‘paradigms’ is particularly long-running and controversial (Rommel and Chirstiaens 2006, Gow and Dufour 2000).

By the way, the NPM theory continues to stimulate the academic dialectic and the international literature. Indeed, as noted by Cepiku and Meneguzzo (2011), article titles such as “NPM: the cruelest invention of the human spirit” (Lapsley, 2009) or “NPM is dead” (Dunleavy et al., 2005), put into question the real existence of this theory. Hughes (2008, p. 8), in his “What Is, or Was, NPM”, goes further stating “it had never been born other than in the eyes of critics”.

The historian of science Thomas Kuhn gave the term “paradigm” its present meaning when he described it as a set of theories, laws and tools that define a research tradition in which theories are accepted universally, within a period of time. In his text “The Structure of Scientific Revolutions” Kuhn defines a scientific paradigm as a «universally recognized scientific achievements that, for a time, provide model problems and solutions for a community of researchers» (Kuhn 1970).

His point is that science does not move through accumulation. Rather, a series of tradition-shocking revolutions occur. He stated that science progresses along different paths. In the period of normal science, researchers incrementally upgrade and develop a paradigm by solving significant problems or puzzles. At some point in time, researchers will find unexpected facts that cannot be included into the standing paradigm. After a pre-paradigmatic period, with deep debates between different schools of thought, a new paradigm get up, with a new lexis and new concepts, needed to interpret the new evidences. After the revolutionary shift, a new period of normal science begins to refine the new paradigm, which varies substantially from the normal science that headed it in the old one (ibidem, Rommel and Christiaens 2006).
In the field of public administration and management, the NPM approach has been seen by many as the new paradigm that is swapping the classic bureaucratic or Weberian paradigm of ‘public administration’ (Aucoin 1995, Barzelay 1992, Behn 2001, Borins 1999, Cheung 2005, Holmes & Shand 1995, Hughes 2003, Mathiasen 1999, Osborne & Gaebler 1992, OECD 1995). As noted by Rommel and Christiaens (2006) these authors claim that traditional public administration, which had its base in political science, was no longer able to solve certain problems. These problems could only be solved by using assumptions coming from economics. Using these assumptions would lead to new techniques that are incommensurate with the previous paradigm.

However, as Gow and Dufour (2000) state, there has been little reflection concerning the validity of using in this way the notion as it was developed by Thomas Kuhn. In order to determine if NPM is a paradigm and, if it is, in what way it differs from the bureaucratic paradigm, they have considered first how governments and academics defined NPM and what kind of knowledge it had produced. Then they have evaluated this knowledge in terms of Kuhn’s approach (ibidem).

Finally they came to a controversial conclusion. NPM can be consider a paradigm only in terms of one of the three meanings defined by Kuhn, that are (1) metaphysical or epistemological, (2) ‘universally recognized scientific achievement’ level and (3) exemplars or artefacts level (Masterman 1970, Gutting 1980, Eckberg and Hill, 1979).

In particular, they conclude, in terms of the first meaning of that - the philosophical one - NPM is a paradigm because it is a manner of seeing public administration, which is different from PA, public policy and business management. On the other hand, looking at NPM as a theory, the second meaning of a paradigm, it does not suit. The third level, that of “exemplars”, also reflects the first and second levels. The exemplars used in NPM are
not bound to a more general theory, «so it is not possible to speak of a paradigm here because the theoretical basis is too weak» (Gow and Dufour 2000).

Otherwise, the NPM is far from being a shared concept, as there is no consensus about what should be included under this acronym (Barzelay 2001) and about its usefulness and capability to represent the right solution to the problems of public administration (Gruening, 2001). Therefore, we can state that it is rather a label, under which it is encompassed a set of reform's approaches and principles that are inspired by theories and diversified study’s fields (eg, Marcon 1999; Barzelay 2001; Gruening 2001; Anessi Pessina 2002) that have found application differentiated in various countries (for example, see Pollitt and Bouckaert 2011; Olson et al. 1998; Barzelay 2001; Jones et al. 2001).

The same arguments can be extended to the notion of Public Governance. Some authors, like Dwivedi et al. (2009), think that if governance can be considered a paradigm, it’s a weak one. Indeed, they state, the variety of meanings related to it undermines its claim to be a paradigm. It is more a new “buzz word”, to use Thomas’s (1996) expression. PG does not bring any wide changes in methodology. Besides, like NPM, you can accept parts of it without adopting the whole argument. Dwivedi et al. (2009) On the values front, it appeals to people for very different reasons: «perhaps governance represents the revenge of the political science nerds in the face of the intrusion of economic and management thinking via NPM» (ibidem).

These conclusions provided reason to the development of our analytical framework.

5 Hybridity, complexity and innovation

We attempted to answer our research questions by developing this analytical framework. The aim was indeed to build, through the analysis of the literature, a matrix that would
provide a concrete description of the three models of public management in terms of impact on a number of dimensions and characteristics of organizations. The result led to define the features, specific and multi-dimensional, of three "ideal-typical" public organization each responding to a single set of ideas.

Our analytical framework can be interpret both horizontally and vertically.

Horizontally since the three models can be considered on a prospective and evolutionary basis. Adopting this perspective, it focuses on the NPM, as opposed to the "previous" OPA, and to the model that aims to improve or overcome it (PG): a pre- and a post-NPM. The vertical perspective, instead, considers the effect of the models on the different analytical dimensions of the same organization.

The horizontal perspective provides us the answer to our first question (1-Which are the main features of each of these public management models?).

At the roots of the differences between the three models, there is the leading logic, the most important logic that stands above organization management, which heavily influence the other dimensions.

In particular, a series of dichotomies can be pointed out, between the concepts of bureaucracy and democracy, and the concept of government and governance. The main effect of these dichotomies can be noticed on the internal relationship and on the sight of accountability.

Each of the three approaches highlights different elements in the interaction between politicians and public managers. In traditional approaches to public administration, democracy gave the goals and bureaucracy delivered the technical efficiency required for their implementation.

From this top-down approach, we come to the PG’s one, oriented to complex networks of reciprocal negotiations. Taken together in a evolutionary perspective, they reveal an evident
increase in the attention paid to changes not only in the relationship between politicians and public managers, but also in the relationships of each to the citizenry at large. Public managers are thus seen are facilitators. (Blaug et al. 2006).

This has direct implications on the different views of the role of accountability: hierarchical in OPA, market-driven in NPM, multi-faceted in PG (ibidem, Denhardt and Denhardt 2003).

In reality, there are no organizations fully ascribable to one of these three models. Indeed, when different reform waves, or sets of ideas, meet, there are different mechanisms at work. Christensen (2012) states that there are two different transition hypotheses. The first hypothesis is related to the replacement of different public management models. In this sense, Post-NPM represents a new era of administrative reforms by replacing the former NPM reforms. The hypothesis is often represented as a pendulum swing.

An alternative hypothesis is the idea of layering, whereby reforms supplement or complement one another in a sort of sedimentation process (Christensen and Lægreid, 2010, 2011; Streeck and Thelen, 2005). The consequence at an organizational level is the creation of new hybrid organizational forms, in which Old Public Administration has been combined with NPM and PG features (Christensen 2012).

Our framework helps then to analyze organizations that actually are necessarily hybrid, detecting in them elements relating to ideal-typical management models.

The vertical perspective provides instead the answers to the second and third questions (2- How these three different sets of ideas affects organization reality? 3-How they affect the different dimensions of the management of a public institution?)

The vertical reading suggests that, on the reality, aspects attributable to the three different models, in different analytical dimensions, can coexist in the same organization. This is because the ideas that are the basis of the three models may have different spread in the
actors involved in the management of public organization, i.e. policy makers, top managers and individual civil servants.

This is explained by the theory of cultural complexity of public administrations. As clarified by Christensen and Lægreid (2010), strong cultural complexity means that there are a variety of informal, cultural norms and values in and among public organizations, because there are many considerations to attend to, or because sub-cultures have developed or else because cultural norms from different types of reforms have been combined (Kaufman 1960; Krasner 1988; March and Olsen 1989; Selznick 1957).

Finally, the framework provides also a reflection on the concept of innovation in the public sector. Innovation is an issue of particular relevance for both public and private sector organizations. For the European Public Sector Innovation Scoreboard (PSIS) the definition of public sector innovation follows that used in the Innobarometer 2010 (EC, 2011): «An innovation is a new or significantly improved service, communication method, process or organizational method». The goal should be the increase of public value (Hartley 2005, Moore 1995).

In the three different conceptions of public management and governance, there are relevant differences in the ways in which innovation is pursued by policy-makers, managers and citizens (Hartley 2005).

In the OPA model innovation is on a large-scale, instead in the NPM it is focused in organizational form more than content. In PG it takes place at both central and local levels (ibidem).

Not only the managerial and organizational aspects matters. Indeed, according to Hartley (2005), «also the context has a relevant impact, both directly on innovation determinants, processes and outcomes and indirectly through organizational features such as the amount
of organizational resources and organizational strategy». Innovation is shaped by the uncertainty of the environment and its complexity (Tidd 2001).
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MANAGING LOCAL PUBLIC ADMINISTRATIONS BETWEEN COMPLEXITY AND ECONOMIC CRISIS.
THE CASE OF TUSCANY REGION


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Chapter 3

PUBLIC ORGANIZATIONS BETWEEN OLD PUBLIC ADMINISTRATION, NEW PUBLIC MANAGEMENT AND PUBLIC GOVERNANCE: THE CASE OF THE TUSCANY REGION

“All organizations are perfectly designed to get the results they are now getting (...) If your vision of the future differs from your current situation, if you want to get better results, then you must change the way you do things. If you don’t, how can you expect results that are any different from what you’ve already achieved?”

(T. Northup, Management consultant, former CEO)

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Abstract:
This paper analyzes the presence of different managerial approaches in a public organization, the Tuscany Region of Italy. In particular, it highlights the phenomenon of the plurality of frameworks working in the organization, namely Old Public Administration (OPA), New Public Management (NPM) and Public Governance (PG).
The transformation and coexistence of the above-mentioned models is tested with a content analysis based on the perspectives of policy makers and top-level managers expressed in interviews and on the context of administration planning and control systems found in documents.

Each managerial logic has a different relevance in the organization.

**Keywords**

Public management, public administration, new public management, public governance, layering process

**Acknowledgments**

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1 Introduction

In recent decades, public organizations have been profoundly transformed, justified by the need to evolve and adapt to the social, economic and political contexts of our post-industrial society. This implies that they are now facing numerous and sometimes conflicting ideas, considerations, demands, structures and cultural elements and, for these reasons, they are becoming increasingly complex and hybrid (Kickert 2001). Moreover, “in a pluralistic society, where there are many criteria for success and different causal understandings, we have to go beyond the idea of a single organizational principle to understand how public organizations work and are reformed and look at them as composite organizations” (Olsen 2007).

This study will explore the evidence of a composite public organization by testing two main hypotheses: i. The coexistence of different public managerial logics in the same institution in a certain period; ii. Regarding the theory of Christensen (2010; 2012), Olsen (2010) and Osborne (2006), the existence of a layering process of each model, rather than a linear substitution process from one model to another. The landscape we are referring to is an institution where “some aspects of the OPA have been combined with NPM and PG features to create organizational forms in which governance and management elements coexist with other reform features” (Christensen 2012). In particular, elements of an Old Public Administration (OPA) and/or New Public Management (NPM) and/or Public Governance (PG) will be tested in the case of the Italian Region of Tuscany. It is common knowledge that Italy has always had a “Napoleonic” administrative tradition (Capano 2003; Mussari 1997; Ongaro 2006) and that NPM and PG are unlikely to prevail (Fattore et al. 2012).

Firstly, a conceptual framework based on a literature review of the three different public management models was developed. Then, an explorative qualitative case study to verify
the coexistence of different Public Administration models in the same organization at a certain period was conducted. The transformation process and the coexistence of different models were studied by analyzing the perspectives of top-level managers and policy makers in interviews and the context of administration planning and control systems found in documents and regional laws.

2 Public administration models

Osborne (2006) highlights the fact that “Public Administration and Management” (PAM) has gone through three different leading models: (i) a longer, pre-eminent model, the OPA model, spanning from the late nineteenth century to the late 1970s/early 1980s; (ii) the NPM model, spanning from the late 1980s to the beginning of the 21st century and (iii) an emerging model, the PG model. From the 70s, the Public Administrations (hereafter PAs) of western countries have been harshly criticized for self-reference, inefficiency and poor orientation towards customer satisfaction. Since the late 1970s, the majority of developed countries has carried out reforms to modernize and improve the efficiency of their public sector. The most widespread and successful paradigm is the New Public Management (NPM), formulated by Christopher Hood in 1991 (Hood 1991). The New Public Management comprehends a cluster of theories and studies regarding the modernization of PAs through the introduction of specific management logics belonging to the private sector. The reforms that introduced NPM principles have been carried out in different ways from country to country. In some cases, reforms have focused on increasing the quality of public services for citizens-users and, in some others, they have emphasized the scaling of public equipment (De Vries and Nemec 2013). The main goals were public
service quality improvements (Balk 1996), public spending savings, more efficient administrations and more effective public policy implementations (Flynn 1993; Frederic 1998; Pollitt and Bouckaert 2000).

In the last decade, however, this model has been criticized and integrated with a new approach, namely the Public Governance (PG) approach (Osborne 2006). This new paradigm aims to overcome the limits of NPM, considered by its critics to be too close to the private sector environment and, in some way, inadequate with regard to the specificities of PA decision-making and management (Monteduro 2005). PG is based on: (i) a general orientation of public sector companies towards the outside (communities and other social and economic public and private actors in the area) rather than the inside; (ii) the importance of the relationship created between subjects belonging to a given socio-economic network and (iii) the ability of the public actor, who usually has the leading role, to manage these relationships (Badia 2007).

2.1 Transitions between OPA, NPM and PG

When two reform waves, or sets of ideas, like NPM and post-NPM (in our case, PG), meet, there are different mechanisms at work. Christensen (2012) states that there are two different transition hypotheses. The first hypothesis is related to the replacement of different public management models. In this sense, Post-NPM represents a new era of administrative reforms by replacing the former NPM reforms. The hypothesis is often represented as a pendulum swing.

An alternative hypothesis that is closer to our view is the idea of layering, whereby reforms supplement or complement one another in a sort of sedimentation process (Christensen
and Læg Reid, 2010, 2011; Streeck and Thelen, 2005). When new reforms are added to old reforms in a layering process, the reform landscape becomes more hybrid and complex. Rather than replacement, we see rebalancing, adjustments, continuities and mixtures of old and new reform features. Mergers and partnerships are installed, but NPM features are not rejected, and traditional bureaucratic forms of specialization and coordination are reintroduced in new versions. We may face coupling, followed by decoupling, and the reintroduction of traditional bureaucratic forms of specialization partly inspired by NPM. NPM cannot be said to be surpassed; rather it has been integrated and improved by the new principles of public governance: “Many NPM-based tools and instruments are still used and optimized in order to support process improvements. Internally governments are still trying to optimize their internal workings. They do this by many different patterns, at least partly diverging from the ideas of NPM, which in itself showed significant shortcomings, although the emphasis therein seems to shift from increased efficiency to improved effectiveness” (De Vries and Nemec, 2013). The consequence at an organizational level is the creation of new hybrid organizational forms, in which Old Public Administration has been combined with NPM and post-NPM features (Christensen 2012).

2.2 A matrix for the comparison of the different models

In order to systematize and compare the key management and governance aspects in each of the three different models (OPA-NPM and PG), a matrix has been proposed. The matrix, as described in Table 1, is made up of a set of dimensions of analysis that are intended to highlight the rationale and philosophy of each model, by considering the main variables used by researchers to characterize the models. The framework is mainly inspired by the systematizations of Cepiku (2005), Galdiero (2009), Di Filippo (2005), Monteduro
(2005), Rotondo (2011), Sancino (2010), Osborne (2006), Ewalt (2001), Barzelay (1992), Denhardt and Denhardt (2003), O’Flynn (2007), Kooiman and Van Vliet 1993, Mulgan (2000), Shamsul Haque (2000), Hinna (2008), Meneguzzo (2006), Considine (1999, 2001); Considine & Lewis (2003), Padovani et al. (2010). The dimensions consider the focus of each model on the predominant logic, the objectives and workload system, the internal and external relations of the PA, the accountability and planning and control systems orientation, and the organizational and governance models. Although each dimension has fuzzy limits, the matrix captures the value statement and basic assumption of the different models, so that the PA orientation is highlighted.
MANAGING LOCAL PUBLIC ADMINISTRATIONS BETWEEN COMPLEXITY AND ECONOMIC CRISIS.
THE CASE OF TUSCANY REGION

Table 1—Public management models reference matrix

<table>
<thead>
<tr>
<th>Leading logic/ Subject</th>
<th>Old Public Administration OPA</th>
<th>New Public Management NPM</th>
<th>Public Governance PG</th>
</tr>
</thead>
<tbody>
<tr>
<td>The most important logic which stands above organization management</td>
<td>Bureaucratic.</td>
<td>Focus on Legitimacy, compliance with strict predetermined rules and procedures</td>
<td>Focus on Management and the working logic of each single PA</td>
</tr>
<tr>
<td>Systemic approach</td>
<td><strong>Closed</strong> system</td>
<td><strong>Partially closed</strong> system</td>
<td><strong>Partially open</strong> system</td>
</tr>
<tr>
<td>Dimension given by Galdiero (2009) and based on organization theory (Thompson 1967, Denhardt and Denhardt 2003)</td>
<td>The organization is centered on its internal bureaucratic and administrative dynamics with inadequate concern for the external environment</td>
<td>The organization is oriented towards results</td>
<td>The organization is more oriented towards relationships and its strategic external environment, by stimulating process of integration and coordination.</td>
</tr>
<tr>
<td>Perspective</td>
<td><strong>Micro / Self-referential</strong></td>
<td><strong>Micro</strong></td>
<td>Involves all three levels:</td>
</tr>
<tr>
<td>Interventions viewpoint toward the external environment (Cepiku 2005, cfr. Kooiman and Van Vliet 1993)</td>
<td>Procedures and rules-oriented.</td>
<td>Emphasis on PA management features.</td>
<td>- <strong>Micro</strong> (each single PA);</td>
</tr>
<tr>
<td>Relevant dimensions</td>
<td><strong>Legitimacy and Administrative conformity with rules and regulations</strong></td>
<td><strong>Effectiveness, efficiency, economy</strong></td>
<td>- <strong>Meso</strong> (PAs and company systems)</td>
</tr>
<tr>
<td>It refers to the most important aspects which concentrate all management activities and performance evaluations in PA. (Meneguzzo 2006, Brignall and Modell 2000, Di Filippo 2005)</td>
<td>The focus is on ultimate performance results in an economical and managerial perspective (cf. the so-called “3E’s” principles)</td>
<td>Effectiveness, efficiency, economy + <strong>Equity, transparency, ethics, quality</strong> improvement, economic, social and environmental sustainability of the implemented policies, <strong>accountability</strong>: ability to account for different internal and external stakeholders.</td>
<td>- <strong>Macro</strong> (socio-economic systems).</td>
</tr>
</tbody>
</table>

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MANAGING LOCAL PUBLIC ADMINISTRATIONS BETWEEN COMPLEXITY AND ECONOMIC CRISIS.
THE CASE OF TUSCANY REGION

The performance evaluation takes into account other dimensions than those of the “3E’s” principle.

| Internal relationships | Hierarchical relationships, planning principles of specialization and expertise | Separation of the political level from the administrative level (management). Politicians have a strategic, goal-setting role, and civil servants are supposed to be autonomous managers held to account through performance arrangements and incentives | Overcoming the politician-manager dichotomy

Reconciling interests at the administrative level.

| Decision-making contents | Specific and strict | Introduction of multiple criteria for the evaluation of decisions. List of criteria to be used in order to decide and evaluate the effectiveness of decisions. |

- Flexibility +

Differences in this dimension are nuanced between the two models, consisting in greater or lesser flexibility and adaptability of decisions regarding an administration’s interventions.

| External relationships | Public monopoly | Public is the only provider of public services |

| Competition / contrast | public-public and public-private. Fragmentation/disintegration of the “PA system”. |
| Cooperation | among PAs, other public and private subjects. |

| Accountability | User | Citizen as a “passive” subject |

| Client | Client is seen as a bearer of interests and needs PA |
| Citizen | Not just service users or customers, but also active public policy recipients. |

| Planning and control systems orientation | Input, formal results | Measurement system emphasis is on the resources used (input), especially financial resources. |

| Output | Measurement system emphasis is set on goods and services delivered (output), instead of resources used. |
| Output, Outcome | Multiple objectives are measured, including service outputs, satisfaction, outcomes, trust and legitimacy |
### Governance model

The distinction refers to the four governance models (procedural, corporate, market, and network) framework by Considine (Considine, 1999, 2001; Considine & Lewis, 2003, Padovani et al. 2010).

<table>
<thead>
<tr>
<th>Governance model</th>
<th>Procedural governance</th>
<th>Corporate governance</th>
<th>Market or Network Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Following of rules and protocols, high reliance on supervision, and an expectation</td>
<td>Budgeting and reporting are considerably important, and using them in a public</td>
<td>Market governance, contracting out, competitive tenders, and principal agent separation</td>
</tr>
<tr>
<td></td>
<td>that tasks and decisions will be well scripted.</td>
<td>administration concentrates on outputs instead of inputs, focusing on specific groups</td>
<td>are employed to respond to financial signals and competitive pressure. In network models,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of citizens who are receiving services.</td>
<td>the government continues to rely on outside agencies, but in a stronger strategic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>partnership, and where competition and confidentiality of contracts are substituted</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by joint action.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3 The Italian context

With regard to the implementation of the managerial requalification of PAs, the Italian context lags behind the international cycle (Ongaro et al. 2013). Only since the 1990s, have NPM logics been introduced by Italian law and mainly with a top-down approach: this process has been described as “a process of modernization managed by law” (Di Filippo 2005; Cepiku et al. 2008).

The task of applying these reform logics is far from being accomplished; an “implementation gap” is highlighted in the international and national literature and in public debates on Italy’s public administrations and policies (Ongaro and Valotti 2008).

However, this gap is different in the various administrative sectors and regions because local administrations tend to be more creative, receptive and innovative (ibidem, Cepiku et al. 2008).

An analysis of the PA paradigms in a regional context is pertinent because of the continuing decentralization process in Italy. Italian regional administrations have a multifunctional activity, because they have many areas of expertise and there are two simultaneous decision-making levels; a political one and a technical one, with the latter performed by top-level management.

The case study. The object of this case study is the Tuscany Region. Established as an “Ordinary Statute” region, Tuscany started to operate autonomously in the second half of the 1970s. The region now has about 3,700,000 inhabitants and it is one of the most developed and wealthiest Italian regions (ISTAT 2012). The Statute lays down regional planning as the core process of all regional activities and sets annual and periodical goals.

Tuscany is considered one of the most innovative regions regarding PA management and it is particularly dedicated to NPM (Cinquini and Vainieri 2008, Nuti et al. 2012). In 2011 (the
year reviewed here) the regional PA had 2,269 employees, 131 of whom were managers. The regional operating structure was composed of a Regional Attorney General, which is autonomous, and five General Directorates (GDs), each responsible for a different sector (Regional Law n. 01/2009). They are responsible for regional targets in their areas of expertise and they each have independent accounting, planning and control systems.

4 Methodology

Our goal is to verify the presence of a single model or the coexistence of different models (or dimensions of the three models) through an exploratory analysis of a single case study in a specific period of time (Roberts and Bradley 2002). Our final aim is to verify the relation between the three models by testing the substitution or layering process hypothesis (Christensen 2012).

We conducted a content analysis method on (i) semi-structured interviews and (ii) regional laws and documents (listed in the appendix). Interviews were conducted with the general directors of the 5 GDs, the Attorney general and the regional vice-president (the policy-maker). In all, 11 people were interviewed and 20 interview hours were recorded from October to December 2011.

The semi-structured interviews were based on pre-selected themes and the most investigated were: (i) Managing activities and work systems; (ii) Management and control systems, goals assigned to the Directorates; (iii) Organizational performance evaluation systems and (iv) Future expectations for the work system and the evaluation, planning and control systems.

Documents and regional laws were selected by topic. They all refer to rules or regional laws
dealing with planning and control issues, and they were issued both by the regional presidency and the single GDs. Table 1 was used as a template to perform a content analysis of the interviews and documents, highlighting the key concepts of each dimension and model.

Content analysis consisted in codifying pieces of writing into various items (or categories) depending on selected criteria (Weber 1922). This approach is used in the literature to carry out qualitative research in accounting, management and governance inside PAs (Fattore et al., 2012; Duriau et al., 2007). Following the content analysis method developed in Fattore et al. (2012), Marcuccio and Steccolini (2009) and Cinquini et al. (2012), a list of key words was identified for each OPA, NPM and PG dimension, in order to help classify relevant expressions (Table 2). We performed a textual analysis, as specified in Table 2, when dimensions did not have key words or when they had similar key words.
**Table 2 - Key words for each dimension of public managerial models** *(key words in Italian, meaning in English)*

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Old Public Administration (OPA)</th>
<th>New Public Management (NPM)</th>
<th>Public Governance (PG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading logic/Subject</td>
<td>Key words: burocrasia (bureaucracy); legitimia* (legitimacy); procedura* (procedures)</td>
<td>Key words: efficacia* (efficiency); economia* (economy); controllo* (control and to control); compagnia* (companies and private tools); management; innovazione* (innovation and renewal).</td>
<td>Key words: efficacia* (efficiency); effica* (effectiveness); governanza; innovazione* (innovation and renewal).</td>
</tr>
<tr>
<td>Systemic approach</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
</tr>
<tr>
<td>Perspective</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
</tr>
<tr>
<td>Relevant dimensions</td>
<td>Key words: legitimia* (legitimacy); controllo* (control and to control); procedura* (procedures); conformità</td>
<td>Key words: effica* (effectiveness); efficacia* (efficiency); economia* (economy); transparenza</td>
<td>Key words: effica* (effectiveness); efficacia* (efficiency); economia* (economy); equità* (equity); transparenza* (transparency); qualità* (quality); sostenibilità* (sustainability); accountabilità, stakeholderi</td>
</tr>
<tr>
<td>Internal relationships</td>
<td>Key words: gerarchia* (hierarchical); separazione* (separation or distinction)</td>
<td>Key words: politica* (political) level; amministrazione* (administrative) level</td>
<td>Key words: integrazione* (integration, to integrate); coordinazione* (coordinating, to coordinate); trasversale* (cross-functional)</td>
</tr>
<tr>
<td>Decision-making contents</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
<td>Textual analysis</td>
</tr>
<tr>
<td>External relationships</td>
<td>Textual analysis</td>
<td>Key words: competizione* (competition)</td>
<td>Key words: cooperazione* (coordinating, to coordinate); concertazione* (concertation); condivisoria* (sharing)</td>
</tr>
<tr>
<td>Accountability (towards whom)</td>
<td>Key words: utente* (user); responsabilità* (responsiveness)</td>
<td>Key words: cliente* (client); soddisfazione* (satisfaction); accountabilità; responsabilità* (responsiveness)</td>
<td>Key words: cittadino* (citizen); popolazione* (population) soddisfazione* (satisfaction); accountabilità; responsabilità* (responsiveness); valore per denaro</td>
</tr>
</tbody>
</table>

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| **Planning and control systems orientation** | **Key words:** input valuta* (assessment); cost* (cost); misura* (measure); obiettiv* (target); indicator* (indicators); program* (program and programming); pianifica* (planning); cost* (cost); obiettiv* (target, achievement) | **Key words:** valuta* (assessment); output; performance; misura* (measure); obiettiv* (target); indicator* (indicators); program* (program and programming); pianifica* (planning); obiettiv* (target, achievement) | **Key words:** confront* (to compare); benchmark*; valuta* (assessment); output assessment; outcome assessment; performance assessment; impatt* (impact) assessment; misura* (measure); obiettiv* (target); indicator* (indicators); program* (program and programming); pianifica* (planning); valor* (value); obiettiv* (target, achievement) |
| **Governance model** | **Textual analysis** | **Textual analysis** | **Key words:** mercato* (market); rete* (network), fiducia (trust); relati* (relation) |
In order to enhance the reliability of our content analysis, interviews and documents were analyzed separately and independently by two different coders (the first and second authors), and discrepancies between them were re-examined in collaboration with a third researcher (the third author).

After completing the content analysis, the models were evaluated by counting how often each item appeared in each model, in order to fully understand the respondents’ views.

The interview results of both the policy-maker and top-level managers were analyzed with two different perspectives: one concerned their actual experience, which refers to the way they usually run their daily activities, tasks, processes and flows, and one concerned their expectations, which refers to the way they “wish” to run their daily activities, especially concerning performance evaluation and planning systems.

5 Results

Table 3 summarizes the results of the content analysis, reporting the frequency of items for each perspective and each managerial model.

The content analysis refers to: (i) Documents and planning laws; (ii) the Policy maker’s experience and expectations and (iii) Top management’s experience and expectations.

Table 3 – Overall results

<table>
<thead>
<tr>
<th>Object of analysis</th>
<th>Old Public Administration</th>
<th>New Public Management</th>
<th>Public Governance</th>
<th>Tot.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional acts and laws (the strategic orientation of the Region)</td>
<td>-</td>
<td>17</td>
<td>46</td>
<td>63</td>
</tr>
<tr>
<td>The policy maker: the vice-president (experience)</td>
<td>5</td>
<td>3</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>The policy maker: the vice-president (expectations)</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Top management (experience)</td>
<td>29</td>
<td>19</td>
<td>9</td>
<td>57</td>
</tr>
<tr>
<td>Top management (expectations)</td>
<td>-</td>
<td>17</td>
<td>14</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>58</td>
<td>79</td>
<td>171</td>
</tr>
</tbody>
</table>
5.1 The strategic orientation of the Region: the perspective of Regional acts and laws

As shown in Table 4, regional programming laws and acts appear to be strongly focused on PG logics: 73% of them (46 out 63) express concepts on aspects of the PG model. The remaining (17 out 63) refer to NPM, and none refer to OPA.

Concepts related to the leading logic of PG are found in 11 cases out of 19.

Table 4 - The strategic orientation of the Region of Tuscany: results of the regional acts and laws analysis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading logic/Subject</td>
<td>-</td>
<td>8</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>Systemic approach</td>
<td>-</td>
<td>-</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Perspective</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Relevant dimensions</td>
<td>-</td>
<td>6</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Internal relationships</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decision-making contents</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>External relationships</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Accountability (towards whom)</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Planning and control systems' orientation</td>
<td>-</td>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Governance model</td>
<td>-</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>17</td>
<td>46</td>
<td>63</td>
</tr>
</tbody>
</table>

This trend is especially highlighted in many parts of the programmatic speeches of the president and in the government program, which underlines the importance of the coordination role of the regional authority over the many different public and private subjects considered as a network, and it is a key element of post-NPM trends (Christensen 2012):
«Tuscany is a “network city” of about 3.7 million inhabitants. While its history and territorial characteristics would encourage us to protect the specificity and diversity of each town municipality, the development and the new concepts of networking and integration encourage us to overcome localism and local peculiarities (...)» (Programmatic speech of the Regional President).

The pursuit of efficiency at a systemic level and of effectiveness in terms of policy-making outcomes seems clear:

«For example, the various regional councilors (the equivalent of ministers in a national government, Ed.) can no longer limit themselves to forming policies; they must also take responsibility for the effectiveness of their interventions, to the extent of their competence». (Government program).

Several references to NPM logics and tools can be found in the same documents as well and they are considered essential for a smooth-running regional machine, such as a “mission budget”, a “modern system of analytical controls”, and a “system of performance appraisal”. They are regarded in PM literature as “efficiency artifacts”, i.e. a wide range of instruments employed by managers to solve current problems in public organizations (Vakkury 2010).

All items regarding system dimensions, perspectives, contents, decision-making contents, accountability and external relations are attributable to the PG model. An open-system approach, characterized by integration and coordination logics, emerges in many of the regional laws examined, starting with Regional Law n. 26 of 1992, which regulates, for the first time ever, the regional planning process, focusing, inter alia, on the principles of participation and transparency. The underlying perspective is clearly of the multi-level type, and it integrates the micro, meso and macro dimensions.
Another important dimension that often recurs in the documents on planning is that of the economic and environmental sustainability of policies. It affects the orientation of the planning and control systems towards the PG model. The focus on obtaining results - seen through their impact on citizens - appears clear. Indeed, the Regional Development Program (RDP) includes a set of context indicators and comparisons between Italian regions, in addition to some result indicators on the action plans of the legislature.

5.2 The perspective of the policy maker

The experience and the expectations perceived by the regional vice-president reveal a high prevalence of logics which are consistent with the PG model. As shown in Table 5, this happens in 7 out of 15 concepts and almost all of them (5) are related to the internal relations dimension.

Table 5 - The policy maker's perspective

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Old Public Administration</th>
<th>New Public Management</th>
<th>Public Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expectations</td>
<td>Experience</td>
<td>Expectations</td>
</tr>
<tr>
<td>Leading logic/Subject</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Systemic approach</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Perspective</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Relevant dimensions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internal relationships</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Decision-making contents</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>External relationships</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accountability (towards whom)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Planning and control systems' orientation</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Governance model</td>
<td>-</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>
The regional vice-president’s interview shows how she aims to overcome the politician-manager dichotomy (Pollitt and Bouckaert 2011), and how she balances interests at the administration level through trust, collaboration and flexible relationships.

NPM-related elements stand out in the orientation of the planning and control systems (2 concepts out of 3 for the NPM model, and 1 out of 3 for the OPA model) which are mainly based on output indicators to measure targets and activities. However, according to the vice-president, they do not express the whole truth about target achievement:

«This year, many indicators were related to output measures. The problem is to understand if these types of measures are sufficient or if, for some of the cross-functional issues, such as the management efficiency of the administration machine, it is possible to use a “true” indicator, not in terms of output but in terms of outcome, the equivalent of sales».

OPA-related concepts highlight critical issues due to lasting and typically bureaucratic logics, in particular, the lack of cross-functional thinking and flexibility. The vice president underlines the so-called problem of “siloization” (or “pillarization”, Christensen 2012):

«They still work too much in silos here and this is a serious problem in a public administration where knowledge, even a little knowledge, is power. In this way, you completely lose any cross-functional way of thinking, and managers should work hard to overcome this».

Concerning the expectations of the vice-president, we should consider that, in this case, concepts are rather few (only five). They all belong to NPM and PG, although PG is prevalent for concepts related to planning and control systems orientation (2 out of 2).
5.3 The top-level management perspective

The daily activities of top-level management are largely dominated by OPA logics, as presented in Table 6. Indeed, as many as 51% (29 out of 57) of the concepts belong to OPA, 33% (19 out of 57) to NPM and only 16% (9 out of 57) to PG.

Instead, top-level management expectations tend to be oriented towards the NPM model (55% of the concepts, 17 out of 31) and, to a lesser extent, to the PG model.

Table 6 – The top-level management perspective

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Old Public Administration</th>
<th>New Public Management</th>
<th>Public Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading logic/Subject</td>
<td>12</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Systemic approach</td>
<td>2</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Perspective</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Relevant dimensions</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Internal relationships</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Decision-making contents</td>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>External relationships</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accountability (towards whom)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Planning and control systems' orientation</td>
<td>7</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Governance model</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>17</td>
<td>19</td>
</tr>
</tbody>
</table>

**Experience.** Almost half of OPA-related concepts (12 out of 29) apply to the leading logic which still appears to be bureaucratic in 12 out of the 16 concepts found.

NPM logics seem to have a problem establishing themselves, especially in the planning, reporting and evaluation mechanisms and operations; for example, delays are reported in planning documents, with a negative impact on management activities.

This kind of problem is also evident when there is a lack of differentiation. According to a manager’s evaluation:
«Tuscany’s regional managers are assessed with scores between 90 and 100%. Now, even if I aspired to differentiate among them, I would not be able to.

The possibility of giving more realistic assessments, with scores at least between 50 and 100 %, also involves a discussion on the targets’ system» (GD 1).

Another manager agrees on this aspect:

«There is a problem in setting targets: you should not put year-on-year targets on things that need to be done. Those are not real goals, but fulfillments. The goal has to become the “how” or the overcoming of what I know I must do for competence» (GD 4).

This is confirmed by the experience reported concerning the orientation of the planning and control systems: 7 out of 9 concepts belong to OPA.

These systems and tools do not seem to improve managing activities; indeed, they appear to be partly self-referential and oriented towards the measurement of inputs and formal results. There are some indicators established by law, for example those on the mapping of legislative and administrative activities, but they are not regularly used.

«Mapping processes, considering their expiration and stressing the responsibility of the managers involved are not only elements of good administration, but they are also legal requirements. We are obliged to carry them out because we are responsible towards our citizens and every citizen should be able to know the deadlines for administrative procedures and the persons in charge of each procedure». (GD 2)

Of the nine PG-related concepts, most of them concern internal relationships (5). The relationship between top-level management and policy makers, which should aim to overcome the dichotomy between the two roles (as aforementioned by the vice-president),
is confirmed by the managers interviewed. There is a relationship of trust between policy
makers and top-level managers who often have to interact:

«Problems occur when there is a conflict between the area coordinators and the regional councilor or between
the general director and the councilor, because it may impair the trust between them and compromise the
performance of their activities». (GD 2)

Not a single concept emerged regarding external relationships, which confirm top
management’s disregard for this issue.

**Expectations.** Most NPM-related concepts (6 out of 17) refer to the leading logic. The
managerial innovations discussed in public sector research have not been completely
implemented, as already pointed out above. A need to better define objectives and
indicators to assess their achievements is strongly felt by top-level managers. Indicators
should be better focused on actual priorities, budget management and allocation, and
responsiveness to political inputs (including also informal ones):

«This is an important aspect, relating to priorities. In my opinion, the prevailing aspect is to ensure good
budget management which is, by nature, a cross-functional activity. Even more important than budget
management is the degree of compliance with political inputs that are not written in the stated objectives».
(GD 2)

Most of the expectations of the managers moved to the PG are related to the decision-
making contents (5 out of 14) and the orientation of the planning and control systems (4
out of 14). The managers expressed the need for greater system flexibility and instrument
adaptability to enable the regional administration to face unexpected situations and new
challenges posed by external environments, perceived as increasingly discontinuous:
Another key element is flexibility. Nowadays, strictness, accompanied by a fair amount of flexibility, is essential, together with a strong willingness to change tasks and perspectives. (GD 3)

Adaptation to goals should suit political priorities and contingent activities as much as possible, and it should be carried out in a more timely and flexible way:

The ability to understand where we stand is critical, so goal adjustment timeliness and achievement measurements are very important. They should also enable us, with the limitations I have represented, to be as close as possible to our political priorities. (GD 3)

As to planning systems, most expectations focused on the importance of setting targets in all the general directorates to improve the results of administrative action:

Some targets should be cross-functional and they should involve all the general directorates, or at least, the most important ones. Let me add the ability to promote – I think this is an essential point – cross collaboration and cross-functionality. (GD 1)

The corporate model (NPM) dominates expectations about governance. This is clearly stated in two verbatim where respondents discussed the need to map all existing processes as a prerequisite to more virtuous organizational behavior:

The other problem is networking: once we understand what our colleagues are doing, we can identify redundancies and interactions. This is the right way to improve in the future. (GD 3)

6 Discussion and conclusions

This paper analyzes the current management models of public organizations, such as the Italian Region of Tuscany, with a qualitative approach. Our findings have to be cautiously
interpreted due to research limitations. However, they provide a preliminary portrayal of the current logics of public organizations. Figure 1 summarizes the main results by describing the emerging logics for each actor and the documents:

(i) Documents and planning laws mostly embrace PG and NPM logics, as well as political leadership, with a focus on expectations; (ii) the experience of top managers highlights a prevalence of old public administration and partly NPM logics; (iii) GD expectations are more focused on NPM than on PG. Finally, they do not seem to be completely aligned with those of top-level policy makers (as seen in the documents and by the vice president’s interview).

![Figure 1 - OPA, NPM and PG logics viewed as a layering process](image)

The different points of view analyzed in our case study highlight two main results.

*Hypothesis one: coexistence of different managerial logics in the same PA*

Regarding the first hypothesis, we verified that OPA, NPM and PG backgrounds coexist in the same context (in our case, the Tuscany Region) and at the same time (2011). Evidence
shows that different parts of the regional PA show a different prevalence of each managerial logic: that is, an OPA background for the experience of top management, a NPM background for policy makers and top management expectations, and a strong PG background found in documents, acts and regional laws. Although Italy has quite a long OPA tradition, this case study of the Tuscany Region shows elements of a transition to innovative public management logics. Nonetheless, the adaptability of a regional PA to the NPM model seems to be quite difficult for both top-level managers and policy makers. Even if the responsibilities of the regional institution are designed as decentralized and managerialized (the General Directorates in the regional administration work as an independent organization with a budget system), this form of organization is still perceived as too bureaucratic and lacking intra-organizational management and cross-functional focus – two typical NPM features (Osborne 2006). The Regional PA is still centered on policy implementation rather than outputs or outcomes. Moreover, the focus of policy implementation is “organizationally distanced” from the policy makers (Osborne 2006).

“Having a lot of sectorial pillars or silos was seen as an obstructing solution of cross-sectorial problems” (Christensen 2012). Even if poor inter and intra-organizational focus and vertical specialization are detected in the experience of policy makers and top managers, horizontal specialization and network governance (both features of PG logic) are considered a more important challenge than vertical specialization. The need to better coordinate a fragmented structure is a typical PG feature, but the process of orienting a regional administration towards the outside world, i.e. towards transparency and participation, is far from being accomplished.

Our results show, in accordance with Christensen (2012) and Olsen (2010), that public administration could present mixed management logics and reforms: “we face a dialectical
development in which OPA has been combined with NPM and post-NPM (in our case, PG) features to create new hybrid organizational forms” (Christensen 2012).

Hypothesis two: a layering process of culture and reforms

Considering the second hypothesis, new reforms are added to old reforms in a layering process, making the reform landscape more hybrid and complex. The “hybridity” of these organizational forms is caused by a layering process, whereby elements of the different models supplement or complement one another (Christensen and Lægreid, 2010; Streeck and Thelen, 2005).

In our Tuscany Region case study, NPM or post-NPM reforms are introduced in a culture where there are still prevailing OPA elements such as traditional bureaucratic forms of specialization and coordination. The NPM reform wave, seen as a reaction to the challenges and problems of the ‘old public administration’, and the post-NPM reform wave, seen partly as a reaction to the negative effects of NPM, have become a complex sedimentation or layering of structural and cultural features (Olsen 2009; Streeck and Thelen 2005). In the course of this process (Røvik 1996), certain elements of structure and culture have appeared relatively stable and coherent (i.e. the “relevant dimension” focused on the same values both in the experience of top managers experience and in documents, see Table 4 and 6), while others have become stronger or even institutionalized (i.e. the “planning and control system” dimension moving from OPA to PG logic, see Table 4, 5 and 6), and others have become weakened or deinstitutionalized (i.e. the shift towards a PG logic on the “internal relations” dimension, see Table 5 and 6). In our case, the layering process is generated both by: i. The different experience of top-level managers, policy makers and the values stated by regional acts and laws; ii. The coexistence within the same dimension and the same perspective of the three different managerial logics (see, for
example, the “Internal relationships” or “Decision making contents” dimensions for top
managers highlighted in Table 6).

Figure 1 shows the actual distance between: i. the potential diffusion of management tools
and culture (i.e. the expectations of top managers) and the expectations of policy makers,
which are closer to NPM logics; ii. “an even wider distance” between the mere presence and
the actual utilization of management tools (i.e. the experience of top managers) and what is
laid down in laws and documents (i.e. the perspective of acts and laws ). Ongaro and
Valotti (2008) view this as an “implementation gap”. This could be due to a resistance to
change in Italy’s dominant culture (historically a politicized and bureaucratic country), and,
consequently, to weak organizational capabilities and poor managerial skills (Valotti 2012),
and to a lack of administrative support and innovative tools. This result is also consistent
with Panozzo’s claim (2000) that although reforms in the Italian public sector tried to
introduce managerial logics to the domains of bureaucracy and formal compliance
procedures, they were a product of the very culture they were trying to change.

The main limits of our research are related to the use of the content analysis methodology
which can create biases due to the lack of independence and/or personal prejudices of the
people interviewed, the quantification metric used and the subjective understanding of the
issues by the researchers themselves. An ulterior limit may stem from the fact that our
research comprises a single-case study in a limited time, which doesn’t allow us to
generalize our results.

Finally, further research is needed to carefully investigate this subject by taking into account
other variables, such as the individual characteristics of managers, organizational features,
and time periods, to better understand management dynamics.
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8 Appendix

Regional documents and laws

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<tr>
<th>Title and section analyzed (in Italian)</th>
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<td>Presentazione del Programma della IX Legislatura e della Giunta Regionale</td>
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<td>Corporate Sustainability Report</td>
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<td>2011</td>
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<td>Legge regionale 11 agosto 1999, n. 49, Norme in materia di programmazione regionale (Regional planning regulations)</td>
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<td>Legge regionale 2 agosto 2013, n. 44, Disposizioni in materia di programmazione regionale (Regional planning regulations)</td>
<td>Regional Law</td>
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<td>Legge regionale 27 dicembre 2007, n. 69, Norme sulla promozione della partecipazione alla elaborazione delle politiche regionali e locali. (Law to promote participation in local and regional policy-making)</td>
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Chapter 4
CUTBACK MANAGEMENT: APPROACHES AND ACTIONS
FROM LOCAL GOVERNMENT IN ITALY

«
It is a popular delusion that the government wastes vast amounts of money through
inefficiency and sloth. Enormous effort and elaborate planning are required to waste this
much money.
»

(P. J. O'Rourke,
Political satirist, journalist, writer)

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Abstract
Purpose. The recent economic crisis has led public governments to cope with a reduction
of financial resources which compromises many local budgets. Governments have adopted
different approaches and in many cases the responses have been contradictory. This paper
aims to describe with the Tuscany Region (Italy) case study, possible cutback approaches
and actions in a public local government by focusing on the eventual trade-off between classic theoretical cutback strategies and administrative response models.

**Design/methodology/approach.** After the description of the cutback management framework, an analysis of the activities of Tuscany Region (Italy) is carried out, by developing a local cutback methodology and by comparing the adopted actions to the framework identified by the literature.

**Practical implications.** The proposed methodology of cutback is an evidence-based tool, using data benchmarking across Italian regions and within local public institutions, able to investigate possible efficiency gains or room for resources reallocation.

**Findings.** The Tuscany Region experience is an example of hybrid and controversial experience in cutback management: the degree and tools of cutbacks varied not only according to the implementation feasibility but also to the sector, its organizations strategic capacities and management culture.

**Originality/value.** Describing cutback strategies at a regional level represents an interesting perspective considering that this type of institution is between the national level, which for some sectors decides the amount of funding and any eventual cuts or budgeting reviews, and the local level, such as the municipalities, to which instead results in turn funder and controller.

**Keywords**

Cutback management, cutback budgeting, local government, performance.
1 Introduction

The economic crisis of the early 21st century has led public governments, typically in advanced western democracies, to cope with a reduction of financial resources that compromises many local budgets and imposes cuts in public expenditure. In this period of austerity, public organizations are under increasing pressure to deal with ever-tighter budgets. Furthermore, recent political rhetoric debated against expenditures that are emblematic of so-called public sector waste (Andrews et al. 2012).

Cutting back on services or programs creates significant challenges for policy makers and employees because it is not always clear what service areas are already close to maximum efficiency and would be most harmed by cuts. Moreover, public employees and constituents of public services regularly lobby government officials to protect their services from cutbacks. Governments sometimes respond to these constraints by imposing across-the-board cuts that affect all sectors; while others apply some cuts or reviews on specific programs and services and focus cuts on certain departments and agencies at the benefit of others.

This paper aims to describe with the Tuscany Region (Italy) case study, possible cutback approaches and actions in a public local government by focusing on the eventual trade-off between classic cutback strategies and administrative response models discussed. The international literature on public management approach towards austerity and financial crisis is often focused on describing national experiences or local experiences such as municipality or agency cutback budgeting. Describing results at a regional level represents an interesting perspective considering that this type of institution is between the national level, which for some sectors decides the amount of funding and any eventual cuts or
budgeting reviews, and the local level, such as the municipalities, to which instead results in turn funder and controller.

The paper is divided into three parts: (i) in the first part a theoretical framework on cutback management literature is developed; (ii) in the second part the proposed method of CB management is presented; (iii) in the third part the main actions carried out in the Tuscany Region are discussed in order to highlight the decisions undertaken by the Region and the complexity of the implementation phase.

2 Cutback management and the economic crisis: theoretical framework

Although many central governments often using the umbrella term “spending review” (SR) in their budget revisions, not all the review budget programs that deliberate savings options should be qualified as spending reviews (OECD 2011). Moreover, the literature, especially on local governments, such as regional or municipal level, is mainly focused on the analysis on “cutback management” or “cutback budgeting” (CB) processes rather than on “spending review”. For these reasons, the theoretical framework to analyse our case study has been developed on cutback management literature. We use the cutback management Levine’s definition (1979): “managing organizational change toward lower levels of resources consumption and organizational activity. Cutting back an organization involves making hard decisions about who will be let go, what programs will be scaled down or terminated and what clients will be asked to make more sacrifice”. It is important also to note that the term “cutback management” is not exclusively associated with financial scarcity, but it has been used also for political purposes (Frederickson 2006), for understanding organizational lifecycles (Bozeman 2010) or their effects on organizational performance (Pandey 2010). However, since fiscal stress is
particularly effective in cutback activities, much of the attention of cutback management is directed toward the need to cut expenditures during periods of financial scarcity (Eger et al. 2011).

Furthermore, the topics of fiscal stress and cutback management were outstanding themes in the public administration literature during the 70s (Bozeman and Straussman 1982; Dunsire and Hood 1989; Levine 1978;) and were prominent in outlining the development of New Public Management reforms (Aucoin 1990).

During the recent financial crisis, fiscal stress and cutback management have become once again a central topic in public administration debates (Andrews 2012). This new period of research on cutback management has been characterized as an “era of cutback management” (Pandey 2010) and it’s focused more on capturing the relationship between cuts and reforms (Pollit 2010; 2011), on the necessity of principles for managing the new responsibility of government and on citizens trust and attitudes towards government (Raulda et al. 2013).

Even if there have been “as many responses as countries” (Peters 2011) and in many cases, the responses have been contradictory (OECD 2011), detailed categories of approaches have been developed (Raulda et al. 2013). Using the main results of a literature review, a taxonomy has been developed to underline common characteristics of cutback decision-making processes and possible influencing factors. The framework is based on different levers that may influence the decision making process and cutback strategies (figure 1):

- the general approaches which refers to the two polar methods of cutting-back, i.e. the across-the-board approach and the target approach;

- the partners and tools to “save” resources, where tools are defined as the items of the budget to manage and review, while patterns are defined as the main measures used to impose cuts or reviews;
- the tactics and the stages on which strategies are based; the phase or stage refers to the political attitude towards the need to “cut” and the “resistance to change” (Kickert et al. 2013) while the tactic refers on crisis interpretations and on political attitude underpinning the strategies, as defined by Levine (1979);
- the factors, internal and external, such as the duration and severity of the crisis and the organizational or administrative characteristics of the institution, that may influence cutback strategies and managerial impacts.

Figure 1. The Cutback management framework

2.1 The decision making process: stages, tactics and influencing factors

Three different phases can be identified corresponding to different actions and interpretations and levels of awareness of the crisis (Kickert et al., 2013):
- a pre-initial phase of denial and defense, with a moderate adjustment of the status quo,
- a first phase of a moderate and temporary cuts, which reflects a not fully convinced awareness of the gravity and duration of the crisis and a preferable postponement for later years;

- a second phase of more severe cutbacks, which reflects more awareness of the crisis with first across-the-board cuts; however cuts in wages, employees and public services are still avoided;

- a third phase of internalized need for cutbacks and resolute decisions, with fundamental political priority setting and targeted downsizing, i.e. cuts in salaries and employment.

Cameron (1994) identifies expenditure CB in three main tactics:

(i) workforce reduction, focused mainly on eliminating headcount or reducing the number of employees with a quick implementation time;

(ii) work redesign, which consists in activities such as eliminating functions, hierarchical levels or groups, redesigning tasks or units in order to maintain the same amount of work for the organization to perform, avoiding the problem of eliminating workers;

(iii) systemic change, which focuses on changing the organization’s culture and attitudes and value of employees and redefining downsizing as a way of life, and as an ongoing process for continuous improvement, rather than just a program or a target. Table 1 offers an overview of the main characteristics of Cameron’s downsizing strategies (1994).
The three types of strategies are not mutually exclusive and institutions can implement different actions of the same type (considered to have more depth in their strategies) or different actions of the three categories (considered to have more breadth in their strategies) (Cameron 1994). Regarding influencing factors in the decision cutbacks making process, two main categories can be distinguished (Raulda, 2013; Kickert et al. 2013; Pollit 2010):

- external factor, which refer to the severity and duration of the crisis and to the general economic and fiscal situation, such as GDP growth, unemployment…;

- internal factors, which refer to the political-administrative model and to organizational factors.

Political and administrative factors include both general state models and systems and party ideology.

The types of leadership, functions and tasks (flexible or fixed), mission (clear or unclear) and strategic capacities are considered organizational factors that may influence the decision making process and final actions. Glasseberg (1978) shows that organizations with
more fixed tasks are more focused on decremental strategies but, on the contrary, organizations with more flexible functions are focused on targeted approaches.

2.2 The tools and patterns

Raulda et al. (2013) developed a taxonomy based on possible expenditures’ cases subject to cutbacks considering three different categories: (i) operational expenditures, considering personnel and non-personnel costs, (ii) programs expenditures in the public sector and (iii) capital expenditures. The decision on different expenditures to cut is not a random process (Raulda et al. 2013), although the international literature is still discussing a general CB algorithm based on stable account priorities (Bartle 1996). According to the view of bureaucrats (Mattila and Usikyla 1997) administrative expenditures will be cut less than other expenditures; while the public choice theory (Lewis and Logalbo 1980) assumes that administrative services are vulnerable to cuts because they lack support from citizens groups. Indeed, Dunsire and Hood (1989) predict that expenditure categories and programs subjected to review and cut depend on several factors. The most probable target of cuts are public services and goods (as opposed to transfer payments) because these types of cuts and costs are under the control of the public managers and governments, while transfers are more policy-led, supporting the managerial theory (Raulda et al. 2013; Dunsire and Hood 1989).

On the other hand, programs that are very general in their impact and vague about their immediate benefits will be reviewed more than programs with strong client groups. Moreover program cuts depend on characteristics such as economic significance, administrative feasibility and time-horizon and commitment of expenditure outside government control (Raulda et al. 2013). Considering the definitions of “savings” reported
by Pollit (2010) and Pollit and Bouckaert (2004), different theoretical patterns for cutback expenditures can be distinguished:

1. A reduction in financial inputs compared with the previous year;

2. A reduction in financial inputs that leads to a corresponding reduction in service outputs (i.e. no gain in efficiency, or even a loss in efficiency – taxpayers simply pay less and get less).

3. Technical efficiency, which refers to a reduction in financial inputs with the same (or even greater) service outputs or in unit costs;

4. Allocative efficiency, which refers to a reduction in financial inputs due to a change in allocation of resources; more effective programs receive more money, and less effective programs receive less or none at all, leading to an increase in overall effectiveness;

5. The transfer of an activity from one part of the state to another (e.g. from central to local government) or out of the public sector (i.e. privatization).

Although technical and allocative efficiencies are the most desirable way to cutback and save money, they have major drawbacks and risks, both because they also involve organizational change and because policy makers can choose to prioritize programs or expenditures considering political popularity and not effectiveness programs (Pollit 2009).

2.3 The approach

Regarding the approach, two main polar approaches have been carried out (Pollit 2010):

(i) the cheese-slicing approach, which refers to cuts in equal amounts or percentage for all institutions or sectors;
(ii) the strategic prioritization approach, which refers to a more targeted approach by which some institutions or sector must cut more than others.

As Raudla et al (2013) underline, this dichotomy has been labeled in various ways: across the board vs. targeted cuts and the decrementalism and “equal misery” approach. According to the incrementalist theory (Wildavsky 1964), cutbacks would be decremental because they essentially take the form of “incrementalism” in reverse, with cuts amounting to “decrements” from the base (Dougherty and Klase 2009; Bartle 1996; Klase 2011). Thus, the incrementalist framework would predict that in cutback strategies, the use of across-the-board cuts would prevail (Schick 1983; Bartle 1996). The “managerial” approach argues that across-the-board cuts would be difficult because significant portions of the budget entail mandatory expenditures; thus the decision-makers would make cuts to those areas where expenditures are controllable (Downs and Rocke 1984; Bartle 1996). The “political behavior” framework predicts that cuts would be selective since decision-makers would want to minimize public opposition to cuts. Following Pollit (2010), political decisions tend to privilege programme cuts, while administrative decisions are more focused on across-the-board cuts.

2.4 Performance management and benchmarking: supporting tools for cutback management

Several scholars emphasize the role of performance measurement in CB management (Holzer 1986; Levin 1984; Pollit 2011). Indeed, under the New Public Management (NPM) movement in the 1990s, public institutions introduced a number of reforms in order to make public sector more accountable and efficient (Hood 1991, 1995; Lapsley 1999). Hence, public sectors started looking for more explicit and measurable standards of
performance measurement. Often governments and institutions opt for performance benchmarking (Camp 1989; Boukaert and Halligan 2008) which has the advantage of showing where the performance of the institution stands among other similar institutions and identifies deviations in workforce, costs, quality and productivity. At the same time, the findings can provide answers and a means of justifying the downsizing of an organization. Improving performance management can be one of the main organizational solutions to downsizing and the literature in the 80s recommended developing performance management tools and processes (Raulda et al., 2013).

PM can contribute to a more systematic decision making process in CB in several ways (Cayer 1986; Levine 1984):

- it keeps employees focused on the organization’s future in an insecure period of crisis and cutbacks;
- it gathers information and reliable data to reduce uncertainty and to mitigate the decision process on cutbacks;
- it encourages the participation of the employees in goal setting and reduces potential problems if goals are displaced and organizations drift;
- it can be integrated (at the individual level) with layoff decisions in order to safeguard the best performers.

3 The Tuscany case study: process and method

This paper reports the novel experience of the Tuscany Region (TR) on cutback management with the aim to contextualize the main characteristics of the regional cutback management in the theoretical framework and its implementation in different sectors. The Tuscany Region is one of the 21 second-level administrative subdivisions in regions and autonomous provinces of Italy. In 2011, Tuscan public administration counted a total of
2,269 employees, of which 131 were managers. The operative structure of the Tuscany Region is composed by the regional Advocacy and 5 department (D), responsible for different sectors (Regional Law 01/2009). Among the services directly managed by the Regions, health care services are the most relevant. Moreover, Tuscany is considered one of the more innovative in the matter of public administration’s management. Since 2004, a Performance Evaluation System (PES) for Tuscany’s entire regional healthcare system has been developed in order to compare the results of Tuscany’s Local Health Authorities in terms of benchmarking and setting regional and local targets (Nuti et al. 2012).

While responsibility for CB management is often delegated to public managers and officials, providing political leaders with plausible deniability for any failures (Schick 2009; Jogiste 2012), the TR’s experience on CB management is firstly characterized by a strong political commitment. Indeed, the Regional Governor implemented a review of the regional budget in 2011 in order to respond to the national government spending review which started in 2011 to consider savings and reorganization of the regional sectors in his second year of his political mandate. Consequently, TR is characterized by a centralization of the CB decision process and functions with a decrementalism perspective on regional spending. However, in order to support decision making in the CB process, the TR involved 2 regional research institutes (DGRT 1237/2011).

### 3.1 The research process

The novel case reported in this study took place in 2011 and ended in 2012. The method applied can be considered an action research approach where researchers promoted the
principles of cutbacks managements throughout the use of systematic benchmarking. Koshy et al. (2011) stated that “the action research creates knowledge based on enquiries conducted within specific and often practical contexts. The purpose of action research is to learn through action that then leads on to personal or professional development”.

During this period, the two research institutes met the Regional Governor every 3 months to provide information for short and long term actions to control public expenditure. The two institutes also organized six meetings with regional executives to present the approach to be followed, to collect information and internal working projects on the reorganization of the central departments, and show preliminary results. Between 2011 and 2012 around 10 interviews and meetings were conducted by the research teams with Local Agencies to validate the analyses carried out on their balance sheets and collect additional information such as personnel.

3.2 The proposed method

To facilitate and support the regional decision making process of CB, a method was proposed based on several steps as following:

1. **Analysing** of regional expenditure to verify the main items of cost;

2. **Verifying the items directly managed** by the TR, considering that a review of transfer payments is very unlikely (Raulda et al., 2013; Dunsire and Hood 1989);

3. **Benchmarking the expenditure items that are directly managed by the region**. A performance measurement analysis based on a benchmarking approach both internally and externally across Italian regions or local public institutions within the Region method was run (Levine 1984, Cayer 1986). This approach has been strongly emphasized in the implementation of CB to investigate the area or the
subject where cutbacks, efficiency gains or resource reallocations can be made. Indeed, data benchmarking can support a more accountable approach: where data show a negative performance in all the regional actors involved (i.e. all LHAs show a bad performance) an across-the-board approach could be more justified in a theoretical sense, otherwise where data show more variability or targeted approach could be easily identified.

4. **Identification of possible items that can be reviewed or cutback through a sensitive analysis** which considers:

   a. **Resources amount.** This step aims at quantifying the economic significance (Raulda et al. 2013) involved in eventual cutbacks to focalize the attention of policy makers and managers on large amounts of resources in the short term. In the cases where the estimation of costs could not be direct, especially in the case of healthcare services, the financial valorization followed the approach presented by Nuti et al. (2010).

   b. **Feasibility, both on administrative and time-horizon dimensions.** Considering the managerial approach that emerged in the literature (Raulda 2013), administrative feasibility regards the controllability of the expenditure and the possibility of managing expenditure with respect to the regional normative tools and laws; in particular the transfers from the national level to the local levels and personnel expenditures that refer to national contracts are considered items not directly managed by the region. The time-horizon dimension considers the possibility of saving resources in the short or long term.
c. **Political impacts.** Considering the managerial and the political logic of CB strategies (Pollit 2010), this factor aims at facilitating the discussion with policy makers in order to identify the expenditures that both minimize public opposition and require political leaders to make crucial decisions (Peters 2011).

The budget review was based on the 2010 financial statement. Indeed, the proposed approach aims at building support among policy makers and technical staff with an emphasize on productivity and efficiency: on the one hand, it identifies the inefficiency areas with respect to the best practice (the “where”), and on the other hand it identifies the institutions within the Region to be protected from the reduction of resources (the “how”). Figure n.2 summarized the proposed method and sensitive analysis with regard to expenditure.

![Figure 2. Method and expenditures](image-url)
3.2.1 Pre-analysis: Tuscany Region spending levels and composition

The analysis of expenditure composition (about 8,500,000,000 euros) reveals five main regional spending items:

1. Regional expenditure on sector directly managed by the region, in particular, the health system, which represents about 80% of the total regional budget;

2. Regional transfers to local/province levels for items not directly managed by the Region, i.e. education, transport (about 9%);

3. Regional operational non-personnel expenditures (about 4%);

4. Regional operational personnel expenditures (about 2%);

5. Other expenditures, i.e. taxes (about 5%).

The current budget of Italian regions is largely composed of healthcare funding from the National Government. The weight of these items on total current expenditure was about 80%, in the case of TR which was in line with what was observed for the most similar regions in term of economic and demographic dimensions (Piedmont, Emilia-Romagna, Veneto). Considering only the remaining expenditure (net current expenditure), the observed composition indicated that about 50% of TR resources in 2010 was due to transfers to other public and private entities (of these about 43% was directed to other public authorities), while a fifth (20%) of the expenditure was for the goods and services purchase. Less than a tenth of the net current expenditure (9%) was attributable to personnel costs.

The benchmarking comparative analysis was carried out only on expenditures directly managed by the TR, transfers to local institutions were ignored in the first phase. The
results on transfers expenditures can be influenced by the organizational model adopted by each region (in particular, the extent to which certain functions are directly handled by the region or delegated to local authorities) and different models precludes a consistent comparison in terms of economic items (transfers, personnel, etc…) and also by functions (public transportations, etc…). Hence, we focused on the general administrations and on sectors directly managed by the Regions, where we assume there is a certain degree of homogeneity between regional authorities and it is possible to analyses the comparable data at the regional level.

4 Results and actions

Considering the typologies of expenditures under review, the benchmarking analysis can be roughly grouped into three tiers reported in table 2.

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Table 2. Activities and analysis carried out in the Tuscany Region.

In order to underline the main results, this paper aims at discussing action 1 and action 3.
A1. Personnel Expenditure

The analysis. The analysis was designed to assess the determinants, composition and management mechanisms adopted by the personnel management of the Tuscan regional institution, which is a very significant item of regional spending. The data collected referred to the year 2010 published on the sections dedicated to the administration’s transparency in the regional authorities websites\(^2\), in order to compare managers remunerations with benchmarking in 5 sample regions: Tuscany, Lombardy, Piedmont, Emilia Romagna and Veneto. The analysis aim at verifying the salary composition of public managers of the regional institution, excluding the health care professionals and managers, by focusing mainly on the part of the salary related to regional contracts and reward system\(^3\).

Findings. In 2010, in the Tuscany Region a manager earned, on average, more than the others regions, with an average salary of € 112,020 per year and a median wage of 114,281 €. In the Tuscany Region, the rewarded remuneration was approximately € 2,223,178, about 17% of the gross salary of a manager. The average total remuneration of Tuscan

\(^2\) Toscana - Giunta Regionale: [http://www.regione.toscana.it/regione/amministrazione-trasparente](http://www.regione.toscana.it/regione/amministrazione-trasparente)
Toscana - Consiglio: [http://www.consiglio.regione.toscana.it/amministrazione-trasparente/](http://www.consiglio.regione.toscana.it/amministrazione-trasparente/)
Lombardia - Consiglio: [http://www.consiglio.regione.lombardia.it/servizi/amministrazionetrasparente.jsp?sessionid=8239BF0E3B783F85527CA8A356CA35C0](http://www.consiglio.regione.lombardia.it/servizi/amministrazionetrasparente.jsp?sessionid=8239BF0E3B783F85527CA8A356CA35C0)
Emilia Romagna - Giunta e Consiglio: [http://www.regione.emilia-romagna.it/trasparenza](http://www.regione.emilia-romagna.it/trasparenza)
Veneto - Giunta: [http://www.regione.veneto.it/web/guest/amministrazione-trasparente](http://www.regione.veneto.it/web/guest/amministrazione-trasparente)
Veneto - Consiglio: [http://trasparenza.consiglioveneto.it/](http://trasparenza.consiglioveneto.it/)

\(^3\) The salary of the public manager is composed mainly by the following items: a fixed amount issued in the national contracts (rettibuzione tabellare), a mixed amount stated in the regional contracts (rettibuzione di posizione), a variable amount based on the incentive schema (rettibuzione di risultato), others amount related to any sort of welfare care.
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managers was higher than in the other regions, with the highest percentage of salaries above € 100,000. On average, a Tuscan manager had a result salary of about 19,850 Euros; for Venetian managers was about 10,000 Euros and for the managers of the Emilia Romagna region it was about 16,000 Euros.

Regarding the targets achievement percentage, the Tuscany Region was the one with the highest percentage of goals achieved: about 97% of Tuscan managers had reached more than 90% of the targets, versus 51% of Emilia Romagna managers. About 24% of Veneto managers had reached more than 80% of the targets, versus 99% of Tuscan managers.

Considering the observations on total earnings, it can be assumed that in Tuscany almost everyone always reaches targets, thus gaining almost the maximum of the result salary.

**Possible identified actions.** Two main actions were proposed to the TR aimed at changing the compositions salary of public managers, one related to the fixed part of the salary and one related to the reward part of the salary.

**Action 1.** The Tuscany Region expenditure for salaries according to the regional contracts was € 6,361,958: with reference to best practice, which is the lowest average wage
represented by the Veneto Region, with possible savings of € 2,364,614. Referring to the average position salary of the considered regions as the salary to aim for, total savings would have been € 1,386,192.

**Action 2.** This intervention concerns adopted mechanisms to achieve incentives (reward salary). Tuscan managers were found to be significantly better: the percentage of goals achievement was very close to 100% for about 84% of the managers. It was considered necessary to propose an adaptation of the result remuneration and an improvement of the incentive mechanism, with a greater differentiation in the goal achievement percentage. The incentive mechanism of human resources is used effectively and appropriately when the average goal achievement percentage is around 60%\(^4\). If we consider an average objective achievement of up to a maximum of 60% (considering the data of 2010 as the max is reached), there could be a permanent savings of between € 900,000 and € 1,000,000. There could also be an exceptional change of reset in the results salary scheme for one year as a "solidarity" response at a time of economic crisis. In this case, the total expenditure savings is approximately € 2,223,178.

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\(^4\) When the average success percentage is quite high, in fact, the goals are ill-posed, a not very challenging, and therefore easily reachable and inadequate in motivating behaviour change. In these cases, you could get the same results even without incentives. The incentive value is therefore a resource waste. When, however, the percentage of average attainment is lower than 50%, the goals are perceived as too challenging and operators do not attempt to achieve the goal. In these cases, you would get the same results even without incentives. The value of the incentive is therefore a resources waste, too.
Table 3 Possible action on personnel costs

Considering the sensitive analysis reported in table 3, action 1 has a very low feasibility since the salary is under the regional contract of public managers and the review of this type of contract requires time, union involvement and a national accordance. Action 2 related to reviewing the incentive mechanism for public managers has a medium normative feasibility in the short run. In fact it may concern a new reposition or definition of the targets or a general cutback on the reward funding scheme. However, a redesign of the targets related to the reward salary requires a very flexible and un-bureaucratic incentive scheme where targets and standards can be easily adapted. Moreover, this type of action has a big impact in politics: considering the low trust of the Italian population towards public institution (OECD 2013) and the present discussions about the salary of public managers in Italy, this action may gain a high population consensus. The Region has adopted cheese-slicing strategies with a voluntary approach that mixed the two proposed actions. On the one hand, it has asked a solidarity contribution equal for all in percentage terms, by cutting back the salaries of the GD of the Region and Local Health Authorities by 10%; on the other, it has cut the GDs result remuneration by 50%, with an estimated
savings of €1.1 million. Parallel to this approach, the TR has started a reviewing of the incentive schemes in collaboration with the board of the directors involved. Specifically, the review affects both the objectives definition and the evaluation methodology.

**A3. Program Analysis**

The analysis. The program analyses focused mainly on identifying resources in the health care sector which could be reallocated in order to improve allocative efficiency and productivity. Only a part of the proposed actions translated into savings, at least in the short run. The method followed was a targeted approach. It aimed to improve the performance of the local health authorities by setting goals on the basis of their past performance and the benchmarking the Local Health Authorities. The analyses were based on a multi-year evaluation of the performance of Tuscan health care authorities (see for instance Nuti et al. 2012a; Nuti et al. 2012b). The main actions proposed by the researchers aimed to maintain the same level of services, while improving appropriateness of practices and referrals and gaining allocative efficiency in health sector. We particularly focused on the appropriate use rate of some clinical procedures and specialist visits. We report the case of the use rate of diagnostic imaging per inhabitants (Nuti and Vainieri 2012). The action proposed were based on a 2010 study conducted by MeS in collaboration with the radiologists of the Tuscany Region that identified and discussed the determinants of variability in the use rates for diagnostic imaging (Nuti et al. 2011). The evidence found in this study was reported and updated with 2011 administrative data.

**Findings.** Performance on the age and gender standardized MRI use rate across Tuscan districts varied from 35 per 1000 inhabitants to 121 per 1000 inhabitants. Musculoskeletal MRI use rate was one of the most variable (with high risk of inappropriateness) exams: the high-low ratio was around 25. In particular, the use rate for the elderly varied from 16 to 29
exams per 1000 people in 2010. Among the actions proposed, radiologists suggested reducing the number of Musculoskeletal MRI for people over 65 years old in order to improve the appropriateness of the exams and referrals and decrease the variation in the TR.

**Possible actions.**

Following this suggestion, the research team proposed to setting quantitative targets for Local Health Authorities in order to reduce the variability of the Musculoskeletal MRI use rate to the median rate or even to cut down all the Musculoskeletal MRI for the elderly that were identified as inappropriate.

Considering the sensitive analysis, these two proposed actions can lead to a reallocation of resources that goes from 1.5 to 4 million euros. The valorization was made using regional fares so that these are only potential savings which can be partially realized. In the short term, the real savings comes from the reduction of this type of exam by private clinics, or it can be as a reallocation of both human (technicians and radiologists) and technological (MRI equipment) resources to other diagnostic exams.

![Figure 4. Possible savings based on LHAs performance for Musculoskeletal MRI for elderly, 2010](image)
The efforts required by Local Health Authorities is based on their performance: the more the use-rate is far from the regional median use-rate (or the higher Musculoskeletal MRI use rate for the elderly) the more Local Health Authorities have to gain efficiency.

**Realized action.** The Region asked the health counselor to introduce CB for Musculoskeletal MRI exams into the annual goals for CEO rewards system. It was both a targeted and cheese-slicing approach: targeted because it was based on scientific evidence the potential inappropriateness of this kind of exams for elderly, cheese-slicing because the goal was the same for every Local Health Authority. The introduction of the Musculoskeletal MRI exams for the elderly into the performance evaluation system and in the reward system for CEOs led the Tuscany Region to reduce the regional use rate from 25 to 22 per 1000 inhabitants in 2011.

5  **Discussion**

The crisis may have two potential impacts on existing policy-making measures: on the one hand, the crisis may cause the rupture of an existing governance pattern and produce a new one and on the other, the need to respond decisively and quickly to problems can reinforce existing governance pattern. The Tuscan experience is an example of a hybrid and controversial experience in cutback management. The cutback pattern and levels varied not only according to the implementation feasibility but also to managerial tools used in different sectors. Table 4 summarizes the main characteristics of TR CB process and strategy regarding the theoretical framework.
According to Behn (1985), the general points of any budget-cutting strategy are: ‘centralize the budget process under strong leadership; put together a comprehensive budget package and devise incentives and procedures to hold together an unstable coalition in support of this package; be prepared to accept and cope with chaos, mistrust, and public conflict, because the cutback process cannot be made routine and cannot be based on historical precedent; analyze the specific situation to determine how best to apply these abstract generalizations.’ The TR proposed method for CB supports two different rationalities in the decision making process (Scorsone and Plerhoples 2010): the managerial theory (Downs and Rocke 1984) and the political theory (Jick and Murray 1982).

According to the managerial theory, governments will seek to address the controllable part of the budget because most of the budget is uncontrollable in the short or medium term. However, in order to facilitate the discussion and final decisions, the sensitive analysis also considers the political impacts, considering the political approach where decisions are based on the relative political power and on the attitude of the population. This mixed method can shrink the efficiency approach, which represents the rational management approach where choices are made on performance and costs savings, and the equity approach where “cuts represents a political type of calculus where the pain is shared across the organization” (Scorsone and Plerhoples 2010). Considering both internal and external audiences can also predict a successful implementation according to Behn (1980).
By Levine’s cutback management research and developments in ‘publicness theory’, Pandey (2010) gives a contemporary perspective on cutback management. He states that publicness implies paradoxical tensions in different fields, such as organizational goals, employee motivation and organizational performance. In particular, prioritized and evidence-based cutbacks are more frequently adopted in more result-oriented sectors, where performance is easily assessed. In the TR case study, different types of actions’ scheme were identified:

- Evidence-based actions, in line with the proposed approaches based on benchmarking and comparison. This type of actions has determined prioritized cuts or reallocation of resources, especially in sectors with a performance measurement system and where organizational goals and output are clear and measurable.

- Actions realized through uniformed cutbacks or by adopting a “cheese-slicing” approach (Pollit, 2010). Although they were suggested through evidence-based approaches; they were more evident in those sectors where goals tended to be multiple, vague and difficult to measure (Pollit 2011), where the bureaucratic red tape is pervasive (OECD 2007) and where there is a high probability of politicization of the decision making process.

The first scheme refers to the CB management program example in health care. The performance evaluation system implemented in the Regional Healthcare System had a crucial role in the decision making process because:

- It supported the evidence analysis for productivity efficiency and costs savings (the managerial approach);

- It facilitated coordination among internal and external professionals and audience (the political approach);
- It aimed at developing a more targeted oriented approach in the long run where cuts are shared among stakeholders.

On the other hand, where managerial instruments are in their infancy and subjected to bureaucratization of the institution, such as public manager reward system, CB actions are more focused on a cheese-slicing approach in the short term and are more likely to be implemented.
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