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Alessandro Scaletti

Evaluating Investments in Health Care Systems

Health Technology Assessment

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Health Technology Assessment

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For Prof. Gennaro Ferrara

Salus populi suprema lex,
from the Laws of the XII tables
Rome 451 a.C.

Alessandro Scaletti

*Health Technology Assessment.
Logic and methods of evaluation*

Preface

In the current context of international economy crisis, the control of public expenditure appears to be now a *diktat* imposed by finance institutions, to ensure continued economic growth and, at least, maintain the levels of well-being achieved by individual nations.

In these scenarios, the economic evaluation of public and private decisions, if equipped with collective importance, enters fully into the behavioral ethics of the policy makers and technocrats called upon to manage the public sector.

In recent years, several approaches have been developed, in a business management perspective, for the study and innovation of Public Administration (PA).

These frameworks of ideas, apart from some significant conceptual differences, have in common the goal of improving efficiency, effectiveness, economic and equitable decision-making, and operations implemented by the various companies that make up the Public Administration.

The differences mentioned in the approaches refer to the combination of the importance that certain variables undertake in the different analytical frameworks. The variables analyzed in this work are due to the different role of governance assumed by public entities in the network of relationships, which are the central node, and the logic and mechanisms through which these bodies, in accordance with the conditions of efficiency, effectiveness, cost, and equity, protect and control public interest.

With reference to the first variable, a central vision of public administration, understood as a structured body in which allocation decisions of resources among its subjects are made by an organization/institution at the center of the constellation, is opposed to a vision of PA with less rigid boundaries, in which the public and private entities involved align their aims in compliance with public interest through a process of delegation and co-participation decision logic.

With reference to the other variable, in the various PA approaches studied, there is an alternation of logic that for some areas of research, equitable economic protection of public interest is entrusted to the introduction of competitive mechanisms, while for others the same objective is achievable through the strengthening of collaborative logic of those who form the PA.

Starting with the study of international management on the evolution of PA, this work aims to study the evolution of decisional logic that has affected the NHS and the analysis of the approach used in support of decision better known as Health Technology Assessment (HTA).

Therefore, in the first part, this work describes how the different approaches, succeeding one another over time, in the study of public administration, have influenced the evolution of logic and the tools used to support public decision.

This introductory part presents the theoretical framework of reference, on which the sample model used to illustrate how the evolution of management theories has influenced the decision-making processes related to the selection of the different allocative solutions to be applied to the healthcare systems on which it is based.

In the next part, a sample model for the study of public decision in healthcare is proposed: HTA.

However, the theory and the practical evidence in the work undoubtedly show that the assessment tools alone may not be sufficient for the containment of public expenditure, nevertheless, they represent a valid “modus operandi” for a more effective and efficient allocation of resources, poor by definition, among the various possible uses, in function of the current and future needs of the community.

In conclusion, I would especially like to thank Prof. Giorgio Liguori, Professor of Hygiene at my University, for his invaluable support in the study of healthcare technologies and Dr. Patrizia Belfiore, as well as other colleagues of the Territorial Institutions Department with whom the work reported in this document was carried out.

To each and everyone I extend my sincere thanks, it being understood that I take exclusive responsibility for inaccuracies or omissions that may be present in the work.

Alessandro Scaletti

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Chapter 1

The Evolution of Decisional Logic in the Healthcare System

Abstract In the current context of international economy crisis, the control of public expenditure appears to be now a *diktat* imposed by finance institutions, to ensure continued economic growth and, at least, maintain the levels of well-being achieved by individual nations. In these scenarios, the economic evaluation of public and private decisions, if equipped with collective importance, enters fully into the behavioral ethics of the policy makers and technocrats called upon to manage the public sector. In recent years, several approaches have been developed, in a business management perspective, for the study and innovation of Public Administration (PA). These frameworks of ideas, apart from some significant conceptual differences, have in common the goal of improving efficiency, effectiveness, economic and equitable decision-making and operations implemented by the various companies that make up the Public Administration.

Keywords New public management · Public governance · Public choice · Public administration · Efficiency · Effectiveness

1.1 Introduction

In the current context of crisis of national economies, the control of public expenditure appears to be now a *diktat* imposed by financial institutions to ensure continued economic growth and, at least, maintain the levels of well-being achieved by individual nations.

In these scenarios, the economic evaluation of public and private decision, if equipped with collective importance, enters fully into the behavioral ethics of policy makers and technocrats called upon to manage the public sector. Therefore, the approaches and instruments of economic evaluation do not appear to be simply the tools at the disposal of political choice, but the real object of the latter in an attempt to harmonize and make the relationship between means and purposes more transparent.

Undoubtedly, the assessment tools alone cannot be sufficient for the containment of public expenditure, nevertheless they represent a valid “modus operandi” for a more effective and efficient allocation of resources, poor by definition, among the various possible uses, depending on the, actual and future, needs of the community.

The central role of healthcare spending, in the decision of public finance, has always generated a keen interest in economic studies first, and then in managerial ones, on the role that the characteristics of the organization of health services has on the levels of public spending, as well as on the quality of services provided for citizens.

For the social and economic importance assumed, regardless of the national context of reference, the healthcare organization in each country is at the center of a complex network of judgmental value on behalf of its users, politicians and other *stakeholders*¹ and, for that reason, the scientific debate about the study of the possible solutions applicable to improve them, is very intense.

With reference to the Italian context, significant innovations that have affected the public health sector in the last decades are aligned to the processes of reform of PA that have taken place in other national contexts and encouraged by the studies of political economy and public managerialism.

Several authors have shown that, the uncontrolled growth of public spending and the non sustainability of the massive budget deficit, are the major causes,² of the pursuit for new institutional, managerial and organizational structure for the public sector (Greer 1994; Zifčák 1994; Walsh 1995) in an attempt to find solutions of *good governance*³ that pay more attention to efficiency and effectiveness.

The severe criticism that public administrations in Western countries has been subjected to, regarding self-management, unsustainable conditions of inefficiency and lack of orientation to user satisfaction, has led scholars and practitioners to consider the bureaucratic⁴ sample model surpassed, unique functioning sample

¹ Regarding this, Ferrara (1993, 1994) indicates the need to establish a balance among the interests of public companies, like other sub-balances of corporate management, as its failure to do so over time is likely to alter the overall income balance of the company.

² According to Luder (1994), the processes of public administration reform can be explained through the *contingency* sample model. According to this model, the changes are induced by the onset of external factors (reduction of financial resources) and structural factors (political will and ability for top management of the public).

³ Good governance in the public sector, according to the document prepared by the World Bank in 1992, refers to the logic that should be followed for the proper management of public affairs. These approaches include: the need to equip themselves with systems of budgeting and control systems for the efficient management of human and financial resources, the introduction of standards and tools capable of empowering leadership on the efficiency and effectiveness of their work, the introduction and strengthening of accountability for the recovery of administrative action transparency in order to facilitate stakeholder monitoring.

⁴ The bureaucratic logic, inspired by the principles of social structuralism and absolute rationality, aims to achieve the best, starting from the limits of restricted rationality, through the elimination of elements of subjectivity in individual behavior. The bureaucratic sample model

model of Public Administration (PA), in favor of administration models closer to managerial logic.

The public sector reforms initiated in various countries,⁵ despite the multiplicity of regulated aspects and national specificities, find a common denominator in research and in the application of logic and management tools, in an attempt to reach higher levels of effectiveness and efficiency.

This process of *managerialization*, or of “*corporatization*” wanting to use the more common, but “less harmonious” term at international level, is reflected in the theories of New Public Management (NPM).⁶ This line of study is considered as the general movement which has developed a thesis according to which improvements in public administration are feasible through the use of logical decision-making and private operational tools, when this term refers to the principle and logic typical of industrial capitalist economy, in order to better highlight differentiation in respect to a logic typical of the public economy.

Some authors, including Gruening (1998, 2001), maintain that NPM cannot define itself as a new paradigm⁷ but, the synthesis of various independent theory principles already expressed in the past. However, dominant studies have considered NPM a new paradigm, giving it merit for its contribution to the change in logic and PA management tools.

However, in general the author’s opinions seem unanimous about the fact that NPM represents a major boost to the change processes of public affairs.⁸

Therefore, NPM establishes the passage from the traditional sample model of PA administration, based on bureaucracy and centralized thorough control, to the

(Footnote 4 continued)

theorizes some principles, briefly reported below, to be used in guiding complex organizations: the principle of specialization and division of labor; principle of scientific theory and experimental scientific city; principle of preventive standardization of tasks and duties; principle of impersonality; principle of hierarchy (Borgonovi 2002). Weber maintained (1961), that bureaucracy, although not characteristic of social organization of industrial capitalism and deep-rooted in other types of economies, found its full realization based on the principles of rationality and legality. Rational bureaucratic action ensured standardization and uniformity of State operation. Regardless, the universality of law regulated objectives, processes and outcomes.

⁵ The examples cited are: the “Gore report” in the United States (a government that works better and costs less), the “Next Step Program” launched in the UK during the Margaret Thatcher government, the various national programs called “Financial Initiatives Management” (UK, Australia), the state reform started in New Zealand and the “Public Service 2000” initiative of Canada.

⁶ Please refer to the first study, for a more detailed analysis of the NPM, Meneguzzo (1994), Mascarenhas (1993), and Hood (1991).

⁷ A paradigm can be considered as the set of values, beliefs and techniques shared by members of a particular community (Kuhn cited in Massey 1997). The NPM can be considered a new paradigm, having contributed to changes in values, beliefs and techniques with reference to the study of PA.

⁸ Pollitt (1990, 1993), similarly see Hood (1991, 1995) who considers NPM an ideological model and promoter of the need to convey the logic developed in the public sector into the field of private law.

management sample model closer to economic logic, as if to underline the lack of differences in economic activity management regardless of the nature of the manager.

In this chapter we will see how the different approaches in studying public administration, which have followed one another over time in managerial studies, have influenced the issues related to public sector allocatives.

The first chapter is, therefore, an introductory chapter in which, the theoretical framework showing the evolutionary path of the Italian healthcare system and, how it is influencing logic related to economic choice implemented by the decision makers operating in such systems, is exposed.

1.2 The Cultural Change of the '90s. Managerialism

Since the eighties, in many Western countries, numerous legislative measures have succeeded one another aimed at encouraging the development, introduction and implementation of economic logic in an attempt to improve the administrative systems and related public deficit.

The reforms in public administration were developed in these scenarios; where the main international experience is reminiscent of the Thatcher government in the UK, considered by many to have been the first laboratory for the development “New Public Management”⁹ theories. I respect to which *Dunsire (1995: 21)* described this theory representative of the concept of “*value for money*”, that is, a public administration more observant to the efficient, effective and economic use of resources devoted to it.

New Public Management, as mentioned in the previous paragraph, is the synthetic expression adopted in references to indicate the line of study that has “analyzed”, in modern times,¹⁰ the process of PA reform taken place in various national contexts.

Traditional opinion¹¹ considers that NPM has origins in *public choice*¹² theory and in *management approach/managerialism*,¹³ as some theoretical contributions covered by them are replicated in NPM.¹⁴ Of the same opinion, but from a different perspective, it is *Kettl (1997)* according to whom the managerialist theory is in turn

⁹ In this respect, please refer to *Gruening (1998)*.

¹⁰ Other reforms have interested PA in a systematic way in the past. It is important to mention the so called classic Public administration of the 20s of the last century, but you could go even further back in time citing the Napoleonic reforms.

¹¹ For more details, please refer to the thoughts of *Aucoin (1990)*, *Dunsire (1995)*, *Schendler (1995)*, *Luder (1996)*, *Schendler and Proeller (2000)*.

¹² For more details, please refer to *Buchanan and Tullock (1962)*, *Arrow (1951, 1963)*.

¹³ Cfr. *Luder (1996)*, *Naschold et al. (1995)*, *Reichard (1996)*, *Schendler (1995)*.

¹⁴ Refer to *Enteman (1993)* and *Pollitt (1990)*.

influenced by theoretical reflection from *Quantitative/Analytic management*,¹⁵ from *Liberation management*¹⁶ and *Market-driven management*.¹⁷

The NPM brings together the various theories mentioned above,¹⁸ wanting to emphasize the importance of introducing logic and private market inspirational tools into the public sector. Therefore, the new paradigm, embeds the theories of different streams of study analysis, in particular, through previous studies theories of *Quantitative/Analytic management*, NPM calls for the introduction of tools, concepts and policy analysis methodologies macroeconomic matrix, such as, for example, the methods of cost/benefit analysis for decision-making, in order to promote greater rationality in public choice. The *Quantitative/Analytic management* promotes the use of these instruments of analysis because, at least in theory, they should ensure greater rationality in public choice, as these choices would be guided by economic logic.¹⁹

The theories of *Liberation management*, however, stress the importance of overcoming the obstacles created by bureaucratic ties in management, as they are seen as the basis of PA inefficiency. *Liberation management*, therefore, is based on the assumption that *poor performance* in public sector cannot be attributed to the poor quality of human resources operating in it, but to the rules and bureaucratic rules that limit its maneuvering space and autonomy, as a result, these studies call for decision-makers and public managers to be able to act freely in contexts characterized by increasing complexity, in this respect it is similar to a statement Gore (1993), that public managers are “*good people trapped in bad systems*” and to one by Kettl (1997) “*let managers manage*”.

Finally, but perhaps with a greater importance since they imply a radical change in the concept of for the benefit of the public, there are theories of *Market driven management*.

These fields of study, incorporated in NPM, point out the necessity to introduce free market to improve PA performance. This is because the *Market driven*

¹⁵ Traditionally, proponents of this approach have encouraged the application of the decision-making processes of public operators and methods developed from the studies of public policy, including those of cost-benefit analysis. The use of sophisticated techniques in order to reduce the uncertainty is characterized by a matrix rationalistic that the Quantitative/Analytic management shares with the Scientific Management. For more details see: Lynn (1996).

¹⁶ The studies related to Liberation management, which have developed since the early nineties, revolve around the idea that the stiffness and the constraints of traditional bureaucracies, preventing public managers to express their potential, are the cause of generalized dysfunction that exists in public administration. The improvement cannot, therefore, avoid passing through the de-bureaucratization of the processes and the rationalization of organizational structures. To streamline public bureaucracies, proponents of Liberation propose management solutions like decentralization of the functions of budgeting and management of personnel, the simplification of procedures and outsourcing (Light 1997; Osborne and Gaebler 1992).

¹⁷ For further reference on the subject, please refer to Gneccchi (2004).

¹⁸ The systematization of the theoretical foundations that NPM is based on conducted by Gruering (1998) and by Macinatti (2004: 104) seem very interesting.

¹⁹ Please refer to Lynn (1996).

management is based on two theories, the first refers to neo-classical economic theory of market efficiency,²⁰ stressing the importance of competition as a variable capable of improving the PA operating performance, the other theory, instead, refers to the principle of superiority of management sample models adopted in the private sector, as stated by Peters (1996) “*management is management*”, as if to emphasize a principle according to which logic and management tools should not vary when the nature of companies changes.²¹

With reference to the issues of *public choice theory*, which support PA management evolution, from the sample model based on the administrative rules and roles which are based on results and resources,²² also NPM emphasizes the need to switch from a logic of management notion to one of result, in order to direct PA²³ behavior towards a more economical choice compared to the new scenarios.

However, it must be said that beyond any discussion on the theoretical principles that has inspired it; in practice NPM has taken on different meanings depending on the historical period and the country in which its principles have been applied. In fact, the PA reform processes initiated in various countries, followed by the diffusion of the NPM theories, have taken on specific features according to the particular institutional and political context, even if all refer to NPM.

If it does not appear easy to find a common thread about the way in which process reforms were initiated, it is however, found in the main effects that, the use of NPM philosophy has brought some commonalities to PA, due to:

- *downsizing* of PA;
- the administrative decentralization policy and its process of streamlining administrative procedures;
- the introduction of administrative competition mechanisms;
- the separation of roles amidst policy and management;
- the responsibility for results.

²⁰ The classical theory of economics, that heralds Adam Smith as one of its greatest exponents, assumed that private interest could “guarantee” the fulfillment of the collective interest thanks to the doing of the forces involved in the market: the interaction of demand and supply would generate prices balance capable of satisfying the parties, thereby ensuring natural situations of equilibrium. Hence, the liberal economic policies, inspired by Smith, tend to promote the removal of any restriction to the free unfolding of market forces and to outline a substantially reductive role for the state. However, the liberal position has progressively proved itself not in line with reality.

²¹ This statement is in perfect harmony with the statements of the corporate economic doctrine that defines corporate phenomenon as unitary and speculative to eventual classification.

²² Already by end of the 40s of the last century Simon (1947), diffused a new theoretical approach to PA focused on the predominance of the managerial model based on objectives and means compared to the bureaucratic one based on rules and procedures.

²³ With reference to this last point, namely the reduction of bureaucratic constraints, it is seen above all the theories of Osborne and Gaebler (1992), that, just as it proved in practice, the route taken was that of the processes of deregulation and decentralization of operating systems, such issue will then be discussed in depth in the course of this work.

In an attempt to limit management and coordination costs caused by the great dimension, various countries have “streamlined” PA both in administration and production, through processes of administrative decentralization and privatization or outsourcing (*contracting out*).

The action of privatization of public companies has found acknowledgement and theoretical structure in the aforementioned conviction of the superiority of the privatization sample model for the management of economic facts. The usefulness of the outsourcing of certain activities had already been emphasized by the theory of transaction costs, yet thanks to the diffusion of NPM wide application can also be found in PA.

In the same vein, another common element in the various reform processes at international level is the separation process of the public service functions of purchasing and of supply. Basically, in many countries, following the NPM theories, there has been a marked separation of the person who assumes the task of financing public services from the entity (or entities) that supply them, in addition to this separation is almost always associated, though in different forms, the introduction of forms of managed competition among suppliers of public goods or services.

In the line of power, as a rule there is an administrative devolution and, therefore, the allocation of authority to a more decentralized level, in an attempt to achieve greater levels of control, both in the needs of the community and in the efficiency of local administration.²⁴

PA streamlining has been implemented both through the processes of decentralization of services, and through the simplification of procedures.

Deregulation of PA was the result of the need felt in many countries to reduce those regulatory or procedural ties often considered excessive and an obstacle to the management of public matter according to effectiveness and efficiency criteria, as well as the main cause of citizen dissatisfaction of state administration.

At the same time the introduction of the principles of managerialism in PA, there has been, in most reform processes, the separation of the political sphere from administrative one. This separation has been pursued in an attempt to encourage the use of decision-making mainly based on economic logic rather than bureaucratic. The interference of the two roles in relation to a single acting party is, in fact, a source of low transparency and rationality in the choices made by administration, so this separation was called for in an attempt to provide greater *accountability* to PA operations through a better understanding of the behavior and the results obtained by each acting party.²⁵

²⁴ It should be noted that the process of decentralization has had different degrees of intensity in different countries depending on the institutional context of reference. For example, Anessi Pessina and Cantù (2001: 70) identify three different ways to implement ways and degrees through which the processes of decentralization, devolution, federalism, vertical subsidiary.

²⁵ In fact, often, this separation of roles appears only as a formal as evidenced by the numerous news stories reported in our country and abroad.

In line with this, the NPM has favored the introduction of management by objectives in addition to the classical PA logic based on compliance of procedures, rules and the legality of acts. This new approach has often been closely linked to the operating systems amendment of personnel management and, in particular, has approved the introduction of variable remuneration linked to achieving the desired results even in PA.²⁶

As part of introducing new operating systems for the development of a PA management based on the empowerment of the results, in addition to those related to personnel, accounting tools clearly coming from the private world cannot be forgotten, such as the budget, the report, and, more generally, the accounting tools which have as their object the study of changes in the components of the economic and financial management of PA, the same will be further discussed in later chapters.

1.3 The Growth of Business Logic in Decision-Making

The first studies on NPM considered its principles universal and as such equally applicable to different contexts of the public sector. However, the NPM results desired were slow in coming, testifying a difficulty in the application of theories.²⁷

In particular, the difficulty of measuring utility in monetary terms has created considerable obstacles to the changes in organizations, highlighting the limits in the ambitions of NPM to transfer the logic of the business world²⁸ to the public sector, in an “almost automatic” and uncritical way.

Therefore, after the first distinguished studies²⁹ on the limits of new public managerialism, starting from the second half of the 90s, NPM goes through a new phase that of the implementation of its theories.

These studies indicated the need for a focus on the characteristics of the external environment preparatory to the decisions to be taken in PA.³⁰

In fact NPM, in professing the superiority of private sector logic, assigned the specific context of PA a secondary role because the belief that change should occur

²⁶ Also in this case, practice has often failed to comply with expectations of the theory, to consider the variable compensation as ancillary component of remuneration is not necessarily linked to the achievement of specific objectives.

²⁷ “Empirical studies into the factual reality of management are scarcer than the many theories” Kickert (1994a).

²⁸ See Ashburner (1994) and Meneguzzo (1995).

²⁹ Kooiman and Van Vliet (1993), Minogue et al. (1998), Kickert (1995a).

³⁰ Consistent with studies conducted according to the contingency theory model, are the organizational and environmental precondition determine, even in the presence of the same external stimuli to change, significant differences in the results obtained with the processes of change, so any innovation process should be preceded by an analysis of the context in order to avoid a mechanistic introduction of the not in line with new logical.

“spontaneously” through the introduction of market mechanisms was dominant (Rhodes 1997).

Starting from the 90s, from the same pioneer Countries involved in the reform process of PA, emerged a new sample model, the so-called *Public Governance*, and characterized by the re-evaluation of the public sector specific requirements in the recovery process of the conditions of efficiency, effectiveness and economy of PA. It develops a school of thought according to which the logic of strictly economic evaluation is not the only possible method for decisions-making of public importance, taking as example *Decision Analysis*,³¹ the latter being a decision logic not purely economic it is based on tools such as interviews or empirical evidence like *learning by doing* through which the decision-maker understands the needs of the community.

Therefore, there is a reassessment of the systemic dimension of public activity and, consequently, scholars continue to highlight the role of PA in the social context, calling for reforms, not only strictly related to recovery of efficiency, but able to offer new logic and specific tools for the governing of the whole system of relationship between the acting parties involved in the processes of change.³²

In this logic, the process of public administration reform must not only allow the pursuit of efficiency and effectiveness, but it must ensure control, accountability, transparency and participation,³³ basically, a different school of thought calls for a moderate use of utility measurement, as basis for public decisions, in monetary terms as.

Therefore, *Public Governance* (PG), according to Meneguzzo (1997), although starting from the assumptions of the managerialistic theories, represents an evolution, if not an overrun of the same.³⁴

Such development gives proof of the aforementioned incremental nature of the NPM paradigm, in particular the PG is inspired by the criticism brought forward by the public operators and by the empirical failures that accused NPM of being too close to the private enterprise world and, therefore, unable to highlight the specific decision-making and management of public administrations.

With the introduction of Public governance logic, we see therefore, the intra-institutional overrunning of the NPM point of view, towards efficiency of

³¹ The term decision analysis was coined in 1967 by Ronald A. Howard professor at Stanford University.

³² For a close international examination, please refer to Kickert (1995b).

³³ The activity of public companies is aimed at citizens, not consumers or customers (Minogue et al. 1998). On the one hand, they expect efficient public services and taxation policies to reduce tax the burden, on the other hand, however, ask that their rights be protected, that their voice be heard, that their values and their preferences be respected.

³⁴ In particular for the analysis of the points of contact between NPM and PG refer to Hogwood (1995).

organization recovery, to achieve a systemic view³⁵ of the economical conditions of public administration, respecting “*policy effectiveness*”.³⁶

The new perspective implies that public decisions are not subject to the logic of cost-effectiveness measured only in monetary terms, but sensitive to the different utility of the stakeholders on who such decisions fall. The result is an incentive for change in administration no longer regarded as closed bodies governed by rules and procedures, but as open systems able to intervene directly on relationships with the environment to satisfy the needs of communities administered.³⁷

PG targets the process of change capable of evolving within PA logic of *governance* rather than logic of *Government*. According to Borgonovi (2002), the term *governance* is the exercise of formal and/or informal power, with the aim of “creating consensus” around certain choices of change, while the term *government*, referring to PA, is the process of change implemented through the exercise of decision-making power from the institutional system.

Thus, according to the logic of *government* process of change is induced from the top and is conducted focusing on compliance with the laws and administrative deeds, since this logic is associated with a sample model of the public Entity or public company, which has a passive role in respect to the implementation of higher-level decisions.

The key aspects of government logic can be summarized as follows:

- use of formal tools (laws, administrative acts, regulations);
- rigid decision content-, restricted and non negotiated;
- obligation for the parties to respect and implement the decisions, sometimes without perceiving the utility.

With this in mind the principles of NPM are followed and applied not because they are considered necessary for the survival of the system, but because they represent bureaucratic rules, that institutions and persons within the PA system cannot escape from.

In this perspective, the NPM fails not succeeding in making, the transition from the logic of respecting the acts to the one that is based on monitoring results,

³⁵ Therefore, as for companies also PA is studied with a systemic perspective whose characteristics are: the system is open, as it presents continuous interchanges with the outside; dynamic, as it changes over time and space; complex, given that there are many elements and relationships that make it up; finalistic, as it has the ability to achieve a result; probabilistic, because its operation is subject to uncertainties and risks. Systemic studies in business economics reference, please refer to Amaduzzi (1969), Giannessi (1969), Bertini (1990).

³⁶ While the reforms inspired by the NPM movement focus on a number of necessary measures for the recovery of efficiency, at times so pushed as to seem too farfetched compared to the original mission of the institution, governance aims at effectiveness without humiliating public interests.

³⁷ “The logic of governance is more consistent with the pattern of organization/institution that emanates economic policies, produces services or regular economic activities of other parties” Borgonovi (2002: 41–42).

easier, actually, in some respects it reinforces the first, not always able to evaluate *outcomes* of decisions, focusing only on the aims of efficiency.

Differently, according to the logic of governance, PA reform process follows a double logic, both *top-down* and *bottom-up*, in order to promote consultation and the consent of undertaken change process. In this logic, no decision maker plays an important role, but there are numerous interactions between a plurality of decision-makers and acting parties. This entails also the evolution of the horizons of decision-making, respectively, from output analysis to *outcome* analysis.

Its characteristics can be summarized as follows for the presence of:

- mainly informal logic implementation, with the aim of creating the conditions for the acknowledgement of instruments and formal paperwork required necessary for change;
- concrete and measurable goals, even in terms of quality and not just monetary to decide and assess the validity of the decisions. In practice it allows the acting parties involved to understand and evaluate the utility of the current processes of change;
- discretionary freedom of the acting parties, who are no longer obliged to do or not to do, but rather to create for them “the convenience to do or not to do” in order to obtain their convinced and substantial consensus on aims set by PA.

Summarizing the words of Borgonovi, the adoption of a governance approach offers “the ability to take into account the diversity of interests in the adoption of policies, guidelines, choices that align interests toward mutually acceptable solutions” in order to overcome the obstacles met on strict application of NPM.

Public Governance, therefore, promoting, the adoption of a *governance* approach, allows the implementation of new modes of governance and coordination of PA in order to overcome the automation linked to market mechanisms set in the first phase of NPM, thus allowing a greater ability to solve the problems of complexity, differentiation and dynamism typical of public environment³⁸ (Table 1.1).

Moreover, with the theories of Public Governance, the hypothesis of public management seems to have reversed, according to it, the processes of change involving the PA involves the offices first and then the environment external to it.³⁹ With PG the introduction of management systems is done both through a change in the role of the Country, that first and foremost through the cultural change of public managers, and more generally of all the acting parties involved in the process of *managerialization*.

³⁸ For an in depth analysis on the meaning of the concepts of complexity, differentiation and dynamic public environment, please refer to Kickert (1994b).

³⁹ According to Kooiman and Van Vliet (1993) the characteristic of PG is to start from the analysis of the external environment in order to define the different policies within PA, namely PG reverses the logic of NPM to assign itself priority to inside measures and only later decide to look at the relationship between public and environment.