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**Adapting Public Sector Organisations to  
Devolution: Innovation and Collaboration in  
the Italian Region of Lombardy (1998-2002)**

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## ABSTRACT

The devolution of authority from central to regional and local governments is a widespread trend in many countries. Differences in the outcomes of devolution reforms are often significant, between countries as well as within a country. The work assumes that an important part of the explanation of such differentiation derives from the dynamics of the implementation process: the first research question is addressed to explaining the substantial differentiation of outcomes that in many instances can be observed at the local level in the implementation of the same institutional design of devolution (what is the process dynamics of the organisational transformations occurring in public entities in the implementation phase of a cycle of a devolution policy?).

Italy has gone through a deep transformation of a strongly centralised state into a “regional” one, occurred in subsequent waves of devolution. Alternative courses of events seem to have characterised the implementation of devolution in different localities and policy sectors; in this scenario, the case of devolution in agriculture in Lombardy over the period 1998-2002 is striking for the magnitude and rapidity of change, as well as for the way the reallocation of workforce to the lower levels of government occurred. The study of the Lombardy experience provides the basis for some tentative theorisations about the dynamics of devolution processes.

Drawing on these results, the question of how top executives should lead an intervention of devolution is addressed (second research question). Practices for the management of devolution processes are designed on the basis of the study of the Lombardy experience. The protocol of organisational analysis for the design of practices is drawn from the literature on “smart practices analysis”, a stream of literature in public policy and public management quite critical about current research conventions as regards the identification of “best” practices to be used for managing public sector organisations. Lessons for public managers about how to lead an intervention of devolution are proposed.

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# 1 Introduction

## 1.1 Devolution: a global trend

In the last two decades, devolution reforms have been on the governmental agenda of many nations (Keating, 1996, OECD, 1997, p.19): in Europe, where there is evidence of trends to devolution in the (once) very centralised “Napoleonic” systems of the Southern, Mediterranean countries, as in the already decentralised Nordic, Scandinavian countries. The democracy with the longest history in the world, the United Kingdom, and the very young democracies in Eastern Europe have in common a recent experience of significant interventions of devolution (Brusis, 2002, Keating, 2001). Devolution is a trend also in other OECD countries (OECD, 1997) as well as in many developing countries (Guess, 2005, Tendler and Freedheim, 1994). Also already “decentralised” or “federal” countries<sup>1</sup> experienced processes of devolution in specific policy sectors.

In different policy fields, reforms aim at replacing centralised modes of policy delivery with multi-level institutional settings in which a plurality of tiers of government share responsibility and tasks in both policy formulation and the delivery of services. Such reforms are complex processes that entail the redistribution in decision powers and the responsibility for tasks execution among levels of government, and the reallocation of personnel and other resources; they may have significant and long-lasting impacts on constituencies.

The question of what impacts devolution reforms produce, and why, is disputed (Pollitt, 2005). In the number of the “big issues” prominent in the public debate in countries where devolution is high on the governmental agenda there are questions about whether devolution actually makes politicians more accountable; whether citizens are encouraged to play a more active part in the democratic process; whether public policies are actually differentiated according to locally determined priorities, and public services more effective; and, regarding the “side” effects of devolution, whether inconsistencies between central and local governments may intensify; whether inequality of treatment of the citizens across the country may occur, especially concerning their fundamental rights; and whether a devolved public sector costs more (as it is usually held) or less than a centralised one. Such issues are widely debated in the important

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<sup>1</sup> Decentralised countries are unitary states in which, though a significant authority is delegated to sub-national tiers of government, there is no *constitutionally entrenched* division of state power; in a federal state the constitution itself prescribes some division of sovereignty between different levels of government (see e.g. Pollitt and Bouckaert, 2004, pp. 41-43).

production of works that can be found in the national academic discourse of countries affected by devolution reforms (in Italy, see e.g. Antonini, 2001, Ongaro and Valotti, 2005; in France: Guyomarch, 1999, Montricher, 1996; for a review of the public debate in the United Kingdom as regards devolution to Scotland, see Keating, 2001, Laffin, 2001, Midwinter and McGarvey, 2001; in Eastern European countries, Horvatt, 2000). The inclusion of decentralisation in the doctrinal core of the *New Public Management* (NPM<sup>2</sup>) has further elicited interest as it has set the debate on devolution within the stream of a broader strand of academic and policy discussion and argumentation<sup>3</sup> (Hood, 1991, Pollitt, 2003, chap.2). Explaining the differentiated results of the establishment of multi-level institutional settings has thus become in the last two decades a debated topic, reviving the interest for the long-standing issue of the degree and modalities of centralisation/decentralisation in the State apparatus that can best fit the diverse and changing circumstances in which public policies are delivered.

Such broad questions about the effects of devolution are in general “too big” for straightforward answers to be provided, depending on a range of concurrent factors that operate in conjunction with the quality of the design and implementation of the devolution reform itself, which include, *inter alia*, the functioning of the national and the local political systems, the status of previous and contemporaneous administrative reforms, the specific policy contents and process of the sector affected by devolution.

In order to have an improved understanding of the cause-and-effect connections<sup>4</sup>, the focus can be moved from “final” outcomes (the impacts) to “intermediate”, more direct outcomes of a devolution reform (on the distinction between intermediate and final outcomes of a public sector reform, see Boyne *et al.*, 2003, and Pollitt and Bouckaert, 2004, chap. 5); outcomes like: the changes in the programmatic activities executed by both central and local governments (have the “core tasks” of public entities actually changed as a result of devolution?), the changes in the organisational arrangements set to work in order to perform the new programmatic activities (have structure and routines been adapted to the new tasks?), and the reallocation of resources (have workforce

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<sup>2</sup> For the purposes of the present work, we can refer to the NPM as a set of doctrines about “organisation design issues” (in a broad sense) relating to the public sector (see Barzelay, 2000, p. 234, and Hood and Jackson, 1991, p. 33-34). A seminal article on NPM is Hood (1991); for an approach to the NPM as a “consolidating field of discourse”, see in particular Barzelay (2001); for an overview of some current trends in NPM, see McLaughlin *et al.* (2002).

<sup>3</sup> Pollitt’s recent review of the debate on the topic is significantly titled: “Decentralization: a central concept in contemporary public management” (Pollitt, 2005).

<sup>4</sup> Or, in other words, to define “doable” research questions by limiting the boundaries of the problems addressed.

and the other resources required for executing the new tasks been reallocated to the local levels of government?). Differentiation remains significant, within a country as well as between countries, also when such direct outcomes of a devolution reform are focused. Variation in outcomes of devolution has attracted academic attention (Brusis, 2002, Pollitt and Bouckaert, 2004, Pollitt *et al.*, 1998).

Italy is a case of wide differentiation in the outcomes of devolution in different regions and policy sectors. The country has gone through a deep and problematic transformation of a strongly centralised state into a “regional” one, occurred in subsequent “waves” of devolution since 1970, when regional governments were established (Gourevitch, 1978, Tarrow, 1974). Putnam, Leonardi and Nanetti (1993) have addressed the question of why some regions were so much more successful than others at governing and traced differences in performance back to historical differences in civic engagement. The most recent devolution exercise started in 1997 and, though its final effects are still unclear, some intermediate effects can be detected and there is evidence of the devolution reform being implemented in substantially differentiated ways in different regions and policy sectors.

Alternative courses of events seem to have characterised the implementation of devolution in different localities and policy fields. But what has triggered one or the other course of events? What explains such differentiation? A useful starting point is the consideration that there seem to be plausible explanations for failures of implementation of devolution in “legalistic” countries like Italy. Considering the personnel to be reallocated first, there are good reasons why rational actors should resist downsizing and reallocation under circumstances quite common in countries characterised by an administrative system in the French, “Napoleonic” tradition (a point that is argued in detail in chapter 3). And, moving “upwards” in the hierarchical layers and focusing the top management, a culturalist perspective about the persistence of the administrative law paradigm dominating in Italy (Capano, 2003) can be interpreted as providing good underpinnings for explaining behaviours by public managers consistent with the widespread evidence about the formalistic compliance to administrative acts replacing the substantive implementation of the devolution reform. Then, why cases of innovation<sup>5</sup> and adaptation of the organisational arrangements could be observed in some instances? What kind of organisational transformations do occur in public entities in the implementation phase of a devolution policy? Before proceeding to the examination of such issues and to identify and address the

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<sup>5</sup> Following Wilson (1989, chap. 12), we define “innovation” the kind of change that alters in a significant way the core tasks of an organisation. Hence, the title of the work about “innovation” in the Lombardy experience (both at the regional and at the Local Governments level).

research questions, definitions are introduced and a review of literature proposed.

Devolution is a specific type of the broader phenomenon of decentralisation (in the definitions we follow Pollitt et al., 1998, and Pollitt, 2005). Decentralisation can be defined as the process of spreading out of formal authority from a smaller to a larger number of actors. Formal authority may be decentralised in a number of different ways: within an organisation or to external bodies, which in turn may be run by elected representatives or appointed; appointed bodies may be public or private, selected by competitive or by non-competitive means. Devolution is the decentralisation of formal authority to external, legally established organisations run by elected representatives.

The authority transferred usually, though not necessarily, concerns both decision powers and operational tasks; actors devolving authority often retain significant portions of it, and seldom they entirely “leave the game” in the policy sector in question; the devolution process affects the tier of government devolving authority and not only the recipient one; constituencies of both are deeply affected.

## **1.2 Literature review**

The literature about devolution and the establishment of multi-level frameworks of governance is growing. A prominent production of works can be found in the national academic discourse of countries affected by devolution reforms. In the United Kingdom, the issue of devolution in Scotland, Wales and Northern Ireland was prominent in the Labour electoral programme. When Labour came to power in 1997, the government issued two White Papers on devolution in Scotland and Wales and called a referendum, in which the “YES” obtained a strong majority. The most radical case of devolution was Scotland. The Scotland Act in 1998 established the Scottish government and Parliament; the first elections were held in 1999.

The academic debate as regards devolution to Scotland has been echoed especially in *Public Money & Management*. The works of Carmichael (1996), Hogwood (1996), Midwinter and McVicar (1996) and Thomas, A. (1996) examine issues of design of devolution in the United Kingdom “regions”, while Keating (1998) provides an historical perspective of devolution in Scotland. Subsequent contributions are more directly concerned with the issues of the effects of devolution, at least in the sense of examining the functioning of the Scottish governmental system: Midwinter (2002) illustrates regional-local financial

relations in Scotland and financial management in the Scottish government (Midwinter, 2004, and Midwinter and McGarvey, 2001); Laffin (2001) addresses the question of whether patterns in politicians-officials relations in the UK regions follow the “Westminster model” or depart from that.

Eastern European countries, especially those that have recently joined the European Union, have in some cases gone through radical devolution processes. These processes have in at least one important respect been similar to devolution in Scotland: the devolved government has been at the same time established (institution building) and allocated significant powers. Brusis’ comparative study of Bulgaria, Czech Republic, Hungary, Poland, and Slovenia examines the effects of the EU accession policy as regards its influence on the reforms of regional administration (Brusis, 2002). According to the study, the main factors that combined in shaping the different trajectories of regionalisation of these countries were the historical legacies of the pre-socialism State and times of the democratic transition; the competition between political actors with centralist and political actors with localist approaches; the existence of historical or ethnic regionalism (regional identities). They determined different trajectories in terms of the legal and financial autonomy of regions/local governments, relationships between central and local governments, the way the territories of the regional governments were defined.

The “centralist” France has experienced some forms of devolution too. The 1982 reform removed the prefect’s *tutelle* and created local collectivities as autonomous authorities. regional councils were directly elected and given taxing and budget-making powers. Interpretations of administrative reforms in France (Guyomarch, 1999, Montricher, 1996) emphasise continuity in the administrative tradition and the actual limited degree of change that occurred; such interpretations – though applied to a range of reforms wider than the devolution interventions - seem to provide an indirect confirmation about the difficulties of implementing devolution in administrative contexts in the Napoleonic tradition.

Many studies in the national public debate in countries affected by devolution address evaluative and policy questions. They discuss “how well” devolution was designed and implemented (i.e. whether it achieved the declared goals), and how the specific intervention of devolution under examination could be improved (by changing the way the reform is being conducted, or by changing the goals and scope of devolution); they are mainly addressed to a domestic audience.

Some studies of experiences of devolution produced results that transcend the boundaries of the domestic public debate. Putnam's investigation of regionalisation in Italy (1993) started from addressing the question of why some regions were so much more successful than others at governing and ended up with outlining a theory of the influence of social capital on institutional performance<sup>6</sup>. Social capital in the work of Putnam refers to "features of social organization such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (Putnam, 1993, p. 167) – a notion that has been criticised especially as regards how it can be operationalised. The study presented in this work – though broadly consistent with Putnam's analysis in addressing the issue of the influence of context on regional governments' effectiveness - is at a finer-grained level, examining specific and alternative chains of events in the course of a devolution intervention that determine different outcomes and affect the way devolved authority is exercised by regional and local governments.

Another study focused on a single country but whose results transcend the specific boundaries of an evaluative study is the work by Pollitt, Birchall and Putman (1998). The authors examine decentralisation in the United Kingdom in three sectors (NHS trusts, secondary schools, socially rented housing). The main questions addressed have an emphasis on performance and a prescriptive thrust: "1) What seems to have been the effect of decentralisation on the performance of the organisations concerned? 2) What lessons can be learned from looking at different approaches to decentralisation in different settings and sectors? 3) What message does the experience of the reforms of the decade from 1987 hold for the organisation of representative democracy?". In the conclusion of their analysis, the authors sketch the possible outline of a theory of "implementation habitats", a theory that should identify the influence of different context factors affecting the implementation of an intervention of decentralisation in different localities and policy sectors. Given the importance of this study for the purposes of our work, its main findings are illustrated more at length.

The authors classify context factors into two categories: local characteristics of the implementation habitat, which are spatially specific, and service characteristics, depending on the policy sector in which the devolution reform is implemented.

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<sup>6</sup> See also Leonardi, Nanetti and Putnam (1981), Putnam, Leonardi, Nanetti and Pavoncello (1983), and many other publications by the authors.

Considering the local characteristics, a first important factor is the current socio-demographic composition of the local community: a population mainly affluent and well-organised is likely to be in a stronger position either to support a reform or to offer “recalcitrance” to it; at the opposite, a community internally divided and with problems of deprivation is in a weaker position to make citizens’ views felt.

A second characteristic is the degree and nature of party political competition, at the local level and between local and national governments. There are multiple ways in which this factor can be characterised and its influence on reforms interpreted: the authors focus the consensual-conflictual poles as features of the political scene at the local level and consider situations closer to the consensual pole as being relatively more facilitating habitats for implementing decentralisation reforms than circumstances characterised by conflictual politics. When examining that specific type of decentralisation that are devolution reforms, the vertical dimension (local-central) is likely to be the most significant aspect.

A third local characteristic is the degree of potential competition for a local service-providing organisation – a dimension that seems to be especially significant for competitive decentralisation, a phenomenon lying outside the scope of the present research.

As regards service characteristics, the authors propose a list of factors that are likely to influence the receptivity of a given organisation to particular types of administrative reforms. The first is size of the recipient organisations: scale factors may operate in the direction of making it more expensive (and in some instances also technically difficult or impossible) for smaller organisations to produce the expected outputs. Indeed scale factors have historically been a major argument for “centralisation”, at least in the commercial sector, in markets where costs, more than differentiation of products (premium prize), is a key competitive factor. The issue of size is relevant as a design feature of the devolution intervention, affecting its feasibility; more problematic is interpreting the influence of size on the dynamics of the implementation process.

A second characteristic is the nature of contacts with users, spanning from remote and episodic to face-to-face and continuous contacts, with intermediate combinations being face-to-face but episodic contacts and remote but frequent contacts. Both “closeness” and “frequency” of contacts, according to the authors, seem to have an influence on the degree with which users of services will become influential actors in the change process: their attitudes towards reform will be more or less important for the outcome of the devolution reform according to the actual level of influence they have on the change process. Another



characteristic regards whether the service is universal (open to and used by all or most citizens) or selective (limited groups of citizens are the only recipients of services); it seems to be significant with regard to the numerosness and internal cohesion of the groups affected by the policy in which authority is devolved, somehow combining with the previous characteristic concerning the nature of contacts with users.

Another feature discussed by the authors is whether the service is consumed on an optional or a mandatory basis (the administration of environmental health regulations being an example of a mandatory service, subsidies for businesses willing to operate in a less economically-developed area being an example of an optional service): the aspect seems to be significant as regards issues of equity of treatment of citizens across the country once authority is devolved to a plurality of organisations.

Services may be capital-intensive or labour intensive: the authors argue that capital-intensive services may require amount of resources not available on a local scale, thus somehow getting back to the issue of scale factors. In this respect capital-intensive services are deemed to be more difficult to run on a decentralised basis than labour-intensive ones. However, the authors seem to underestimate the difficulties in re-allocating personnel to lower levels of government in geographically dispersed localities. A point widely discussed later.

Some research agendas investigate the implications for public managers of major changes occurring in already decentralised or federal countries<sup>7</sup>. Agranoff and McGuire (2001) set the problem for public managers in the US federal system in terms of having to operate by taking into account multiple interacting governments and nongovernmental organisations, dealing with numerous programs emanating from the federal and state capitals, engaging in multiple intergovernmental transactions with an expanding number of intergovernmental instruments. They argue that different configurations of these features determine different systems in which public managers have to operate and focus on the question: what are appropriate management models in different systems of federalism? In addressing the question they identify four models of management suitable for different circumstances. The "Top-down model emphasises executive branch control and is embedded in enforcement and exchange related to the laws, regulations, funding rules, program standards, and guidelines associated

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<sup>7</sup> Following Lane and Ersson (1991), we refer to decentralised countries as those where a significant transfer of authority to regional or local governments has occurred, but there is no *constitutionally entrenched* division of power; federal systems are those where sovereignty is divided between tiers of government, and intermediary and local governments retain some degree of statutorily-protected authority.

with federal/state grant [...] managing through regional and local governments' managers (local manager-as-agent perspective) [...] by ensuring standardization and enforcing co-ordination. The Donor-recipient model emphasizes mutual dependence or shared program administration, where two-party bargaining or reciprocal interactions among governmental officials is the norm [...] The Donor-recipient model [...] recognizes (that) policy is not easily or even hierarchically executed. Actors at the other end of the chain are involved in programming as well (Elmore, 1985). The Jurisdiction-based model is defined by the initiated actions of local officials and managers who seek out program adjustment and other actors and resources to serve the strategic aims of their governments [...] Unlike the Donor-recipient model, the jurisdiction-based model reflects the fact that grants in aids are just one policy instrument among many used to govern, and the federal government is just one governing actor among many in the intergovernmental system [...] far from carrying out a specific function on the intergovernmental organization chart, local managers [...] strategically interact with actors to design and administer policies that meet the jurisdiction goals. The Network model highlights the actions of multiple interdependent government and nongovernmental organizations pursuing joint action and intergovernmental adjustment". These management models are often to be used in combination, according to the varied circumstances and problems public managers have to deal with. They are basically considered as templates for guiding public managers behaviour in already established decentralised institutional settings.

Other analysis on the functioning of multi-level governance settings can be found in the literature on policy-making in the European Union, with a varied focus on the pre-decision and decision phase, the implementation phase, or both (Hooghe, 2001, Laffan, 1997, Leonardi, 1994, Levy, 2000, Wallace and Wallace, 2000). The European politico-institutional context has undergone a deep process of centralisation (to EU institutions) and decentralisation (within EU countries<sup>8</sup>) over the last half a century – processes that have occurred in a politico-

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<sup>8</sup> It may be noted that the definition of decentralisation and devolution adopted are general enough to be employed not only to processes characterised by a transfer of authority "downwards" across levels of government (though this is the most common and widespread type of decentralisation situations), but also to processes where authority is transferred "upwards", provided that the outcome is a state of affairs in which authority is spread out to a larger number of actors, as is the case when authority is shared by national and supranational levels of government, in the face of a previously more "unitary" institutional setting. This broader conceptualisation of decentralisation allows its application also to, e.g., the transfer of functions from national States to the European Union, whenever (as it is often the case) the outcome of such processes is a multi-level policy subsystem in which authority is shared between national and supranational governments, and independently of the fact that the transfer of tasks occurred downwards or upwards. Other instances in which authority is aggregated at the supranational level are plainly cases of centralisation.

institutional context radically “in motion”, especially if compared with the relatively stable US system. The present contribution aims at providing an understanding of the implementation processes of decentralisation interventions by which multi-level governance frameworks in the European Union are so frequently being reshaped, proposing an explanation of the dynamics of a devolution intervention in the policy field of agriculture – a sector in which EU institutions perform a prominent role. Such knowledge might enlighten some aspects of public policy-making in Europe; by studying some consequences of the way devolution interventions are designed and managed on the capacity of implementation of European public policies by the local levels of government.

Other research agendas address questions about whether devolved institutional designs in specific policy settings can improve policy delivery. In many public policy studies a recurring – though often implicit - question is: what is a proper balance between centralisation and decentralisation in the policy field investigated? This kind of policy question can often be found in the following, more prescriptive formulation: “given the current status and circumstances in the policy field under investigation, is decentralisation a good recipe for improving policy delivery?”; a formulation that reflects the almost universal favour for decentralisation among practitioners, and quite often also among academics.

Some contributions provide frameworks for measuring aspects of a decentralised institutional setting. Lane and Ersson (1991) define two indices, one of institutional autonomy and the other of financial autonomy. The first summarises aspects of discretion and functional autonomy from Central government control (it is the summary score of different aspects like: the existence of a special territorial autonomy, the degree of regional and local government direction, etc. – the higher the score, the higher the degree of institutional autonomy), the second measures Central government final consumption as a percentage of general government spending (the lower, the higher the degree of financial autonomy of regional and local governments). Such contributions are important for descriptive purpose, but clearly do not address questions about the change processes leading from one institutional setting with a given degree of decentralisation and another one with a different degree of decentralisation.

Though unquestionably characterised by a wide differentiation in focus, all these research agendas seem to have in common a substantive orientation to investigating the functioning of *stationary* decentralised institutional settings, i.e.

of devolved settings once they are established. They usually, implicitly or explicitly, compare different institutional designs of decentralised settings with each other and/or with more centralised settings. Important questions about the *process dynamics* of decentralisation and devolution and how public managers can improve the transformation process from a centralised into a decentralised framework of governance appear to have received only limited attention. Part of the explanation of the significant differentiation of the outcomes of devolution may lie in the process dynamics - an assumption consistent with the findings of the tradition of studies of the implementation literature (a recent overview is reported in Hill and Hupe, 2002) and that has strong roots in organisation science (March, 1999, Weick, 2001).

There are indeed some research agendas in political science more directly related to explaining the dynamics of decentralisation: "what explains the dynamics of decentralisation and recentralisation" is the question addressed by Christensen in his article in *Public Administration* (Christensen, 2000). However, it may be noted that this work is entirely focused on the pre-decision and decision phase of a cycle of policy devolution (the articulation of a policy cycle into three phases - pre-decision, decision, implementation - is borrowed from Kingdon, 1994). The analysis of the organisational transformations occurring in public entities in the course of the *implementation* of devolution receives only limited attention. There seems to be room for a research agenda addressed to filling this gap and explaining the substantially different outcomes that can be observed in the implementation of *the same* institutional design of devolution.

Another significant study in that line is Brusis (2002). The outcomes explained (degree of legal autonomy of regional and local governments, financial autonomy, formal relationships between State Administration and Self-government, administrative division of the territory) are all related to the making of authoritative decisions about features (including the same existence) of regional and local governments, and not concerned with the implementation of such decisions. Moving from the East to the West of Europe, in a similar vein Keating (1996) examines some "main" factors stimulating regionalisation reforms: the crisis (occurred in the '70s) of a model of regional development and planning "guided from the centre"; the administrative and political overload of the central State; the reawakening of sub-national ethnic and cultural identities; demands for democratisation and participation; EU policies aimed at stimulating regionalisation (especially in the '80s), especially the economic and social cohesion policy (Allen, 2000).

While the works of Brusis, Christensen and Keating provide significant contributions to the understanding of the decision process that leads to authoritative decisions about the establishment of a more decentralised institutional setting - an important range of questions about the process whereby such institutional frameworks are implemented appears to have been left aside or, at least, addressed only indirectly and in an incomplete way.

An exception is Guess (2005), that examines, at a macro-level, processes of decentralisation in three developing countries. Three broad types of constraints are identified as affecting the implementation of decentralisation, to which the author refers as: a) the support by the top level in the Central government and the technical capacity present at the local level; b) the political culture and the social capital (defined as in Putnam, 1993), c) the design, and especially the sequencing of phases, of the decentralisation intervention. However, in the work case outcomes are defined in such a way to make it difficult to discriminate between institutional design and implementation of decentralisation; for example, case outcomes include aspects like: the power of sub-national governments to set tax base and rate, or whether the mayor and/or the local council are directly elected. Employing these parameters as measures of “successful” implementation of decentralisation makes it hard to disentangle the outcomes of the pre-decision and decision phase of the policy process, from the outcomes of the implementation phase (whether devolved powers are actually exercised and tasks performed by the different levels of government). Another critical aspect in this work – in our opinion – is the fragile causal texture underlying the specific connections between the very broad groups of factors deemed to affect the process and the specific trajectory characterising the episodes of devolution examined.

Another interesting work is the study by Tandler and Freedheim (1994) reporting on the implementation of a programme of decentralisation in the health sector in Northeast Brazil. The study employs especially notions drawn from industrial psychology in order to explain the success of a significant intervention of decentralisation carried out under conditions of very limited resources and significant external constraints. The present work has many similarities with the study of Tandler and Freedheim, especially as regards the orientation to developing a process understanding of the dynamics of the devolution process; the main difference lies in the “source domain”, i.e. in the conceptual tools employed for interpreting the dynamics of the devolution process, having adopted in the present work an approach based on the analysis of the social mechanisms at work (see paragraph 1.8); an approach that seems to provide a broader range

of conceptual tools for the interpretation of the varied and differentiated processes interacting in an episode of devolution.

### 1.3 Research questions and design

Review of literature highlights that many important research agendas, though highly differentiated in focus and contents, have in common a substantive orientation to investigating the functioning of already established, stationary decentralised institutional settings. In this work, it is assumed that part of the explanation of differentiation in the outcomes of devolution derives from the *dynamics of the implementation process*. Important questions can be formulated and addressed about the *process dynamics* of devolution, and about how public managers in countries where devolution is high on the governmental agenda can improve the transformation process from a centralised into a decentralised institutional framework of governance. Research questions have consequently been defined as follows:

- 1) *What are the process dynamics of the organisational transformations occurring in public entities in the implementation phase of a cycle of a devolution policy?*
- 2) *How should the strategic apex of public entities devolving authority lead an intervention<sup>9</sup> of adaptation of public sector organisations to devolution?*

Considering the two questions together, the primary topic of the research can be labelled as “the management of devolution processes”, and the main issue addressed regards how top executives (the notion of strategic apex is borrowed from Mintzberg, 1983) can shape the process dynamics of the organisational transformations occurring in public entities in the implementation of devolution in such ways to perform policy delivery efficiently and effectively (given the circumstances they operate in) after the conclusion of the devolution cycle. Process dynamics refer here to types of concatenated causal scenarios, like, as we shall see, concatenations of social mechanisms.

Contributing to the advancement of an agenda concerned with lesson-drawing for public management in the context of devolution (research question 2) is the policy issue motivating the research project, whose underpinning lies in developing a social science understanding of the dynamics of devolution processes (research question 1). This first research question is addressed to

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<sup>9</sup> An intervention is the process by which an agenda is realised (Barzelay and Thompson, 2003).

explain the substantially different outcomes that in so many instances can be observed at the local level in the implementation of *the same* institutional design of devolution; the typical story is that a country-level devolution reform is enacted by the national legislature and its implementation – if it occurs at all – shows striking differences across the localities where it is implemented.

The work is addressed to both academics and practitioners. The work contributes to a research agenda on the management of government operations and the design of programmatic organisations in the context of devolution processes; the results may be significant for practitioners engaged in the issue of improving the policy-making of devolution.

In addressing the research questions, we assume that the politico-administrative context and the tradition of governance of a country have a central importance in explaining public sector reforms. The legalistic nature of the politico-administrative Italian system (Pollitt and Bouckaert, 2004, employ the notion of *Rechtsstaat* systems, as opposed to *public interest* Anglo-Saxon systems, for characterising the culture of governance in continental European countries), and specifically its Napoleonic, France-derived features (Loughlin and Peters, 1997) do affect devolution processes. In a complementary, less static and more evolutionary perspective (following the idea of the tradition of governance, a notion that unpacks the idea of path dependency and gives relevance to the role of individual agency and specifically actors' beliefs, see Bevir, Rhodes and Weller, 2003), it is assumed that the persistent influence of the administrative law paradigm characterising the Italian tradition of governance provides an important part of the explanation of the dynamics of administrative reforms in Italy. Though the present work is not a comparative study, the case analysis has been worked out in such a way to produce a comparable case study (Ragin, 1987) about the influence of the politico-administrative system on devolution processes, by explicitly drawing features of the politico-administrative system of Italy from the comparative literature in public administration and public management.

The case-oriented investigation has been conducted mainly in an exploratory way, for generating hypotheses about the causes of alternative courses of events in the unfolding of a devolution reform in a country.

In order to better appreciate this point, we can recall and discuss a conclusion of the work by Pollitt et al. (1998). In explaining decentralisation in a number of policy fields, the authors employ three theories: the bureau-shaping model outlined by Dunleavy in *Democracy, Bureaucracy and Public choice* (1991); the new institutionalist perspective, referring both to the logic of appropriateness as outlined in March and Olsen (1989) and to the concept of isomorphism (in the

three variants: coercive, mimetic and normative isomorphism) in the original elaboration by DiMaggio and Powell (1991); and Hood and Jackson (1991) rhetorical analysis. In discussing the explanatory power of the chosen theoretical perspectives, though recognising that “each perspective has the potential of making a significant contribution to the understanding of those ideas and events upon which this book has focused”, the authors come to the conclusion that all of them, both individually and cumulatively, are weak in interpreting the differentiated outcomes at the local level of the implementation of national policies of decentralisation (Pollitt et al., 1998, chapter 8). This conclusion drawn by Pollitt et al. in their work is an important starting point for the design of the present research. It indicates that, when questions about decentralisation are taken from a public management research agenda and policy issues are discussed (what we do in addressing research question 2), undertaking the path of producing a process understanding<sup>10</sup> of the dynamics of the organisational transformations occurring in public entities may provide a substantive contribution to the progression of the research agenda; single causal explanatory models, though providing significant contributions, appear to be inadequate to the task of explaining such complex phenomena like processes of decentralisation and devolution<sup>11</sup>.

Pollitt's conclusion may be subject to different criticisms: other interpretations of the empirical evidence reported in their book, or in other studies, could be proposed, in an attempt to trace explanations of decentralisation back to a single theoretical framework (one in the above list, or another one). Indeed, a rational choice perspective can be interpreted to provide good underpinnings for the evidence observed in many instances of devolution in Italy and elsewhere about the behaviour of top managers in the public entity devolving authority. Dunleavy (1991, see pp. 200-205 in particular) proposes a model of the behaviour of top managers that attributes to them a preference for giving away routine, administrative tasks in order to be able to concentrate on tasks characterised by: a high-level of managerial discretion; a broad scope of concerns; innovative as regards the contents, and to be performed in small-size groups with elite personnel, instead of having cohorts of officials to direct. This preference structure seems capable of predicting important aspects of top managers

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<sup>10</sup> Intended as a set of interrelated statements that could be described as a model – from which to produce a framework for intervening in the circumstances of a devolution intervention (on the notion of process understanding, see Barzelay, 2003).

<sup>11</sup> On the other hand, neither the work of Pollitt nor the present one undertakes the task of testing the predictive power of the theories under consideration *per se*, as general theories for explaining change or stability in the public sector (which could be a core task for research agendas centred in political science, or in organisation science).



behaviours as regards decentralisation. However, as it is argued in detail in chapter 3, other important aspects of the actual behaviour of top managers in the experience of devolution examined seem to be characterised by different patterns of behaviour. Theories in the new institutionalism stream may explain evidence of patterns of behaviour showing the prevalence of formal compliance to the norms and a resulting substantive “hollowing out” of the contents of the reform itself in a cultural context dominated by the administrative law paradigm. However, these theories do not explain the substantive implementation of devolution that could be observed in other instances of devolution, like the Lombardy experience of devolution.

All in all, it seems that the general conclusion about the inadequacy of single explanatory frameworks for this kind of complex phenomena proposed by a prominent scholar in the field of public management, is worth picking up. Some form of middle range theorising, with elementary building blocks that can be arranged in different (but a limited number of) ways seems to be required for improving our understanding of devolution and decentralisation. The approach of the social mechanisms analysis, advocated by a number of prominent scholars (Boudon, 1991, revisiting the work of Merton, 1968; Elster, 1993; Stinchcombe, 1989) is likely to bear important fruits also when applied to decentralisation and devolution phenomena.

The research design is a single case study. Case-oriented research seems to represent an appropriate strategy considering the type of research questions posed and the exploratory nature of the inquiry (Yin, 1994). Though we entirely agree with Yin that case studies (like other research strategies) can be employed in the explanatory as well as in the exploratory phase of a research, especially the use of a single-case research strategy can be particularly appropriate for exploratory, hypotheses-generating studies. The author also argues that case study investigations are especially fit to addressing “why” (i.e.: what explains) and “how” research questions, like the ones formulated in the present research – while it is unfit for other types of research questions.

The case selected for investigation is devolution in the sector of agriculture in the Italian region of Lombardy over the period starting in July 1998 and ending in May 2002. As we shall see in closer detail in the second chapter, in July 1998 the regional Legislature enacted a law on the devolution of important tasks in agriculture to local governments, in May 2002 a new mix of programmatic activities was performed by both the regional and the local governments, a new range of organisational arrangements were fully at work and a re-alignment of

workforce across and within tiers of government had been successfully carried through.

#### **1.4 Devolution in agriculture in the Italian region of Lombardy: an overview**

In 1997, a major reform radically reshaped the Italian institutional setting (the “Bassanini reform”, named after the *Ministro della Funzione Pubblica* - minister of the public function - of the time). Intermediary and local governments became in charge of performing most public functions; state-level competences were limited and explicitly listed. As a result, legislative provisions prescribed that important attributions were to be transferred to regions, provinces and municipalities.

Before the reform, Italy was a highly centralised state. This was part of the legacy of the legalistic, France-derived model of state established since the unification of Italy in the 19<sup>th</sup> century and remained almost unchanged until the mid '90s. The regions, provided in the 1946 constitution but established only in 1970, had limited competencies until the last decade<sup>12</sup>. A partial exception was represented by Sicily, Sardinia, and three very small regions close to the national borders and characterised – in two cases - by the presence of significant linguistic and ethnical minorities (these five regions are the so-called *regioni a statuto speciale*, or regions with a special statute). These regions held some significant competencies since the aftermath of World War II, competencies that for the remainder of Italy were attributed to the National government. The only policy sector in which regions had significant competencies was the healthcare sector: in the period 1978-80, regions were given some attributions as an effect of a reform; further important attributions in healthcare were transferred to regions in the first half of the '90s.

The 1997 reform was followed by a “federal” reform of the constitution, in 2001, enacted by the same political coalition that ruled the country since 1996. An effect of the 2001 reform was that the new repartition of powers became constitutionally entrenched, thus providing regions and local authorities with a stronger juridical basis for their new powers.

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<sup>12</sup> The first “wave” of devolution (as the 1970 reform is known in Italy) was investigated in the international literature mostly with regard to analysing the functioning of the public sector in the new (more decentralised) setting compared with the previous one (Gourevitch, 1978, and Tarrow, 1974) or with reference to the influence of “social capital” on institutional performance (Putnam, 1993, with Leonardi and Nanetti, and many other publications by the authors).

Moving from the legislative design to implementation, it soon became evident that putting into effect the new decentralised institutional setting throughout Italy was extremely demanding. According to the results of an investigation conducted on 12 provinces in 8 regions in February 2004<sup>13</sup>, in the field of agriculture only in three regions devolution was, in the perception of practitioners, deemed to be at a very advanced stage<sup>14</sup>. The actual execution of the formally conferred competences took place in many instances only after years. In some important cases, it never took place. Especially the reallocation of workforce across levels of government proved to be critical: many formally agreed plans for the reallocation of personnel from the central government to regions and local authorities were not carried out. For example, the transfer of the “Forest Corps” (specialised teams operating in the protection of the environment) from the state to regions was resisted and eventually abandoned. The context provided actors with means – ranging from organised lobbying to going on strike - by which they could effectively resist pressures (in the form of exercise of formal authority) to being reallocated to another employer. Difficulties in the reallocation of workforce across the levels of government, a key requirement for the reform to be implemented, were present in many other instances of devolution (detailed data are provided in chapter 4). These and other implementation problems arose notwithstanding the fact that devolution remained high on the governmental agenda over the entire period.

As regards devolution in Lombardy, the regional government was ruled by Roberto Formigoni since 1995. He won the elections leading a centre-right coalition, just a few months after the alliance with the Northern League was broken at the national level, an event that had caused the fall of the first Berlusconi government. The Northern League was a former secessionist and anti-system party, whose electoral success at the beginning of the '90s in the Northern - and richest - part of the country, set the issue of the “federalist reform of the state” high on the political agenda. Formigoni, whose background was as a leader of a Catholic movement ideologically in strong favour of the “principle of subsidiarity”, soon became a champion of devolution in the Italian political scenario.

The sector of agriculture was the first policy field in which the central government provisions legally necessary for completing the design of devolution

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<sup>13</sup> SDA Bocconi School of Management, internal report, 2004.

<sup>14</sup> The entire process of devolution of authority (from the state to regions, hence to local authorities), was considered. Regions are: Abruzzo, Calabria, Campania, , Emily, Lombardy, Marche, Tuscany, Veneto.

outlined by the Bassanini reform were issued, in 1997; significant competencies were transferred to the regional governments. In 1998, the Lombardy regional assembly enacted the regional law on devolution in agriculture - Act 11 in 1998 – that in turn transferred significant attributions from the region to local authorities. Over less than one year after the enactment of the law, the devolved institutional setting had been established, personnel reallocated from the region to provinces (260 people, more than half the total staff of the Agriculture Directorate General) and major reorganisations were occurring at both the regional and the local level, reorganisations that would be completed over the two subsequent years.

In a very schematic way, it is possible to distinguish three phases in the attitude of elected officials about devolution, marked by electoral rounds. Before 2000 regional elections, between 2000 and 2001 (when the national elections were held), after 2001. Before 2000, the devolution issue was central in the public debate at the national level, mainly because of the electoral success of the Northern League in the previous decade, which had reached its apex in the 1996 elections. The Northern League could play an important role in determining the winner of the 2000 regional electoral round; indeed that was the case, since the party joined the ruling coalition and contributed to its electoral success (and the confirmation of Formigoni as president of the regional government). Thus, the issue of devolution was both high on the central government agenda and on the regional government agenda in the period 1998-2000, when opposite coalitions were running, respectively, the Lombardy region and the national government.

Between 2000 and 2001 (when national general elections were held), the political competition between the regional and the central government became even tougher: as national elections were approaching, both coalitions were struggling to show to voters, especially in the Northern area of Italy, their commitment to the progression of the devolution agenda.

After 2001, when the same coalition of parties ruling the Lombardy regional government won the national general elections, a different mood, less conflictual with the central government seemed to orient the regional government, more in the direction of “institutionalising” the results already achieved regarding devolution, while at the same time “consolidating” the public image of the regional government of Lombardy as the precursor and the champion of devolution in Italy.

Moving the focus from the wider political dynamic to the core of our interest, the episode of devolution in Lombardy, a previous event that proved to be

particularly significant for the unfolding of the story of devolution<sup>15</sup> was the adoption by the Lombardy regional government, in 1997, of an internal regulation that determined a very high level of discretion and flexibility in the appointment of tenured officials to different stints. The grasp of the government (elected officials and their appointees) on the “administrative machine” became very strong, also because this provision was adopted within the frame of a major reorganisation intervention that led to important changes in the responsibility and powers of managers and to a selective reduction of the total number of managers. The Lombardy region organisational structure had a divisional configuration; divisions were named *Direzioni Generali*, or directorates general, each competent for an area of public intervention. The figure of the director general, i.e. the head of a directorate general, became crucial in the functioning of the administrative machine. General directors were formally appointed by the regional government collegial executive body (the *Giunta*), but *de facto* selected by the president of the region and his closest collaborators.

Major internal transfers occurred, especially during and in the aftermath of the 1997 reorganisation. In the agriculture directorate general, just before or during the period of observation (spanning from 1998 to 2002), there was a complete turnover in the top positions. Especially in two key positions for the devolution process to occur (the director general and the responsible of the “organisational unit for the management of the relations with local authorities”), charismatic people with reputation, skills and an orientation to interpret in an “entrepreneurial” way their role were appointed. Paolo Baccolo, director general, and Sandro Cioccarelli, manager of the organisational unit for the relations with local authorities, were under pressure for making the devolution agenda progress, and they became committed to this goal.

They called plenary and individual meetings with staff in local authorities, who manifested concerns regarding the wide structural re-organisations implied by the execution of the new tasks and the integration of personnel from the region: more than half the total staff of the agriculture directorate general of about five hundred people was going to be transferred to the local governments. Regional managers granted the financial and technical resources, including premises, and activated training courses jointly attended by personnel from the regional and the local governments. Cioccarelli and his collaborators run a project for developing the Information Technology (IT) platform that was supporting the delivery of services in agriculture; the platform was common to all staff in both the regional and the

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<sup>15</sup> The study considers both devolution from the Lombardy region to local governments and devolution from the central state to the region. A list of formal competences before and after the laws on devolution in agriculture is reported in Table 1.3.

local governments. Baccolo and Cioccarelli performed a crucial role in setting to work a venue - the *Tavolo Istituzionale per l'Agricoltura*, or inter-institutional table for agriculture - for elected and tenured officials from both the region and local authorities to consult, which proved to be very important for the implementation of devolution.

Once negotiations with local governments on the contingents of personnel and with trade unions on labour conditions were concluded, regional managers proceeded firmly and rapidly to the reallocation of staff. There were no hotbeds of protest, neither at the level of the individuals directly affected by the transfer, nor by trade unions' representatives. During 1999, in a few months, a total number of 260 people were transferred to local governments.

Managers in the region also cared about agricultural businesses, the final recipients of the agricultural policy. An "agricultural table" was established as the venue for engaging top managers of agricultural businesses' associations in a formal consultation procedure, activated whenever an important legislative bill was under discussion. In 2001, the regional government established and introduced a formal accreditation procedure for the *Centri di Assistenza Agricola* (Centres for Agricultural Assistance - CAA). Promoted by agricultural businesses' associations (though formally distinct and with the statute of Limited Responsibility Companies), the CAA were contracted important tasks in the delivery of funds to farmers and strongly contributed to the functioning of the newly established *organismo pagatore regionale* (regional funding body), that inherited from the central government most of the tasks in the execution of payments to agricultural businesses (as part of the implementation of the process of devolution of tasks from the national government to the Lombardy region). The story of devolution in agriculture in Lombardy is illustrated in detail in chapter 2.

## **1.5 The broader context (in motion) of the devolution process in Lombardy**

In what frame of institutional rules did the events succinctly introduced in the previous paragraph unfold? Assuming the perspective of the managers in the Lombardy regional government, a first important set of rules are those constraining the way financial, human, material, and informational resources can be acquired and utilised. The notion of public management policy is especially useful in this respect (Barzelay, 2001); outcomes of public management policies in a country are government-wide institutional rules and organisational routines in

the areas of expenditure planning and financial management, audit and evaluation, civil service and labour relations, organisation and methods, and procurement that guide, constrain and motivate the public service. Outcomes of previous and contemporaneous events of reform in the areas of public management in Italy over the period spanning from 1992 to 2002 are reported in Table 1.1<sup>16</sup> (data have been elaborated from Pollitt and Bouckaert, 2004, pp. 264-269).

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<sup>16</sup> Authoritative decisions in the area of “procurement”, treated separately by Barzelay (2001), have been included in the column “organisation and methods”.

Expenditure planning and financial management	Audit and evaluation	Civil service and labour relations	Organisation and methods
<ul style="list-style-type: none"> <li>- Provisions in primary and secondary legislation regulating expenditure procedures (cash constraints, block grants, and other procedures) (1992-93)</li> <li>- Legislative decree 77/95: regulation of local authorities accounting (1995)</li> <li>- Law 94/97 and legislative decree 279/97: State budget and accounting reform (1997)</li> <li>- Regional budget and accounting reform (2000)</li> </ul>	<ul style="list-style-type: none"> <li>- Legislative decree 20/94 and 24/94: regulation of powers, competences and hiring procedures of the <i>Corte dei Conti</i> (National Audit Office) (1994)</li> <li>- Legislative decree 286/99: definition and regulation of the four types of "control" to be in use in central government and (on a non-mandatory basis) in regional and local governments: the administrative control, the management control, the strategic control (a form of evaluation of public policies), the evaluation of public managers ("control of public managers' performance and behaviour") (1999)</li> </ul>	<ul style="list-style-type: none"> <li>- Legislative decree 29/93: public employment is subject to the general rules of private employment (1993)</li> <li>- Legislative decree 80/1998: regulation of public employment (1998)</li> <li>- National collective work contracts: flexible appointment procedures and performance-pay rules (1998)</li> <li>- Presidential decree 324/00: some changes in recruitment of executive management (2000)</li> <li>- Legislative decree 165/01: unification of rules governing public employment, "spoils system" procedures</li> </ul>	<ul style="list-style-type: none"> <li>- Provision about the establishment of the offices for the relationships with the public (1993)</li> <li>- Provision about the adoption of the charters of services in many sectors (1994)</li> <li>- Legislative decree 127/97 on administrative simplification: it includes the provision of compulsory one-stop shops for undertakings at the local level (1997-98)</li> <li>- Legislative decree 300/99 and 303/99: merger of Ministries and establishment of executive agencies ruled by performance contracts (1999); regulation of powers and tasks of territorial offices of the government (prefects)</li> <li>- Centralisation of public procurement (compulsory for National Ministries); regulation of electronic bids (1999-2002)</li> </ul>

**Table 1.1: outcomes of main events in public management policy in Italy (1992-2002)**



It seems there have been two major policy cycles in public management over the time span considered, one taking place in the period 1992-94, the other taking place in 1996-99. As regards the 1992-94 policy cycle, it can be interpreted as starting with the Amato government, after the general elections held in the spring 1992, in which the Northern League obtained a significant success. The dynamic of the Italian politics was also affected by the “clean hands” inquiry on bribery, that began in the winter of 1992 and was something of a watershed: it discredited a large part of the political and business elite, and provided a catalyst for deep changes in the party system and the whole political class. The monetary crisis in the summer of 1992 was another event that made a major impact and led to a new attitude and approach to the management of the national deficit and to tremendous pressures on public organisations to find savings<sup>17</sup>. The main outcomes of the public management policy cycle that started in 1992 and unfolded under the Amato and the Ciampi governments (with Sabino Cassese minister of the public function) were: the profound change of the regulation of the civil service (legislative decree 29/93, that many Italian commentators deemed as a history-making event as regards public sector reform in the country), and the modifications in the rules and routines in expenditure planning and financial management.

The 1996-99 public management policy cycle - a period in which the public agenda was dominated by the goal of meeting the EU convergence criteria necessary for joining the European single currency (euro) - started with the Prodi government and ended with the first D'Alema government (Franco Bassanini was minister of the public function, Carlo Azeglio Ciampi minister of the economy). Main outcomes were the administrative simplification (legislative decree 127/97), the reorganisation of the central government (legislative decrees 300/99 and 303/99), the reforms in expenditure planning and financial management (legislative decree 279/97 for the state budget followed by the regional budget and accounting reform of 2000), and the new regulation of the system of controls in the public sector (legislative decree 286/99).

A major outcome of the policy cycle of administrative reforms was also the enactment of the law 59/97 on devolution that starts the experience accounted in the present work. It is debated whether devolution is to be included in the public

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<sup>17</sup> In this overview of public management reform in Italy and the contextual events that affected it, we follow the model proposed by Pollitt and Bouckaert (2004, chapter 2) and applied to Italy (pp.264-269 – see also Ongaro, 2002). The model is based on the centrality of the elite (executive politicians and top bureaucrats) decision-making, as affected by three main groups of factor: socio-economic forces, the dynamics of the political system, and chance events (like scandals, etc.); the implementation of elite decisions is deeply affected by the features of the politico-administrative context.

management policy: according to the classification adopted by Barzelay (2001), it is outside the public management policy scope (and for this reason not present in Table 1.1, elaborated according to that classification); other authors put emphasis on decentralisation and devolution being interventions for improving performance in the public sector (Pollitt and Bouckaert, 2004) and in this respect it is included in the trajectory of reform in public management of a country. Independently of the classificatory categories adopted, it is undoubtedly within the policy process referred to as “the administrative reform of the state” which took place under the Prodi government that the legislative decree on “administrative decentralisation” was formulated and enacted<sup>18</sup>.

An interpretation of the consistent flow of authoritative decisions in the areas of public management is that these two periods were characterised by the opening of a policy window (Kingdon, 1994) that was utilised by some policy entrepreneurs (mainly the ministers of the public function of the time, and the economy ministers in the 1996-99 cycle) for making some ideas about the reform of the public sector be enacted - ideas that had been circulating in some academic circuits during the previous decade; a period of stability in the policy subsystem<sup>19</sup> followed the opening of the policy window and allowed the flow of consistent decisions that could be observed (Baumgartner and Jones, 1993), embodied in the many “delegated decrees” that followed the administrative simplification law, the decentralisation law and in the provisions that followed the state budget and accounting reform.

Major changes occurred also in the politico-administrative system of Italy, before and during the devolution process in Lombardy. A first set of events concerns changes in the electoral rules: a reform in 1993 introduced the direct election of mayors and presidents of provincial governments and a “majority premium” that ensured a sixty percent of seats to the coalition associated with the mayor/president that wins the election. The same year a majoritarian electoral system for the national assembly was enacted. A form of bipolar political system took place in the 1994 general elections, with a major repositioning of important

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<sup>18</sup> The term “decentralisation” translates the Italian “decentramento”; however, the actual content of the law is about *devolution*, according to the definition previously specified, of authority from the central to regional and local governments. Similarly, the term “administrative” translates the Italian “amministrativo”, which from a juridical point of view, in the Italian system, means that the reform is made via ordinary law without modifying the constitution (which can be changed only by constitutional laws, enacted with specific procedures and a qualified majority). However, the actual content is about political decentralisation of authority from the central to regional and local governments, i.e. devolution according to the terminology adopted. In the remainder of the work, we will refer to this law mainly as the “national law on devolution”.

<sup>19</sup> The policy subsystem includes, from an institutional point of view, *inter alia*, the presidency of the council of ministers, the public function department, the ministry of the economy.

segments of the electorate. Regional elections in 1995 unfolded according to this pattern, with two major coalitions running for the government. Electoral rules were modified also at the regional level in 1999, when the direct election of the regional president was introduced and a majority premium established.

After these reforms, at the local and regional level a fully majoritarian voting system was in place (though in two different versions, for local authorities and for regions), based on the direct election of the mayor/president and on a mechanism attributing an automatic majority of seats in the local or regional assembly to the coalition supporting the winner. At the central level, in the lower house there was a first-past-the-post system for three-quarters of the seats, and a proportional system for one-quarter of seats, with a threshold at four percent for parties to get a share of these seats. A similar system (mainly majoritarian but tempered by a proportional mechanism) was used in the upper house. Both in 1996 and in 2001, one of the two major coalitions running for the government won the majority in both houses (notwithstanding some differences in the electoral systems).

At the local level, the power of parties and their “machineries” was much reduced in favour of elected officials (mayors and presidents). This represented a relevant shift: in the past, the nerve-centres of political power were held by the politicians able to dominate the complicate mechanisms of the party machineries, persons usually different from those in office; indeed both at the central and at the local level governments usually changed every 10-12 months, thus determining a very high turnover of people in office, though quite often the same people occupied a different position in the new government, a sort of “sliding doors” phenomenon which characterised the composition of governments in Italy at all levels. Another major change was that elected assemblies lost relevance in favour of directly elected, usually very popular, mayors or presidents. This determined a relevant change in the political component of the elite running public institutions in Italy.

Another contemporaneous event occurred in the specific policy sector of agriculture. The Common Agricultural Policy (CAP) of the European Union had a formal planning cycle extending over seven years. The new planning cycle started in 2000. The outcome of the policy process that took place at the European level was a new set of rules, codified in the Regulation 1257/99 issued by the European Council on the 17<sup>th</sup> of May, 1999, that affected the process of devolution in agriculture in different ways. First, some decision powers as regards the planning of government intervention were devolved to the country level.

Second, rules regarding compliance to EU norms and accountability were strengthened. The effects of the new CAP cycle were especially significant as the new regulation in Italy combined with the 1997 law on devolution: important regulatory powers devolved from the European level to countries were attributed to regional governments, not to the central one.

Another story is important for situating the process: the outcome of a referendum, a few years before, that abolished the national ministry of agriculture. The referendum was promoted against a symbol of bureaucratic inefficiency, and the YES won with a strong majority. A subsequent government intervention established a “new” ministry with a slightly modified name and competencies that were very similar to those previously held by the agriculture ministry. Politically, however, this “re-established” administration was quite weak in front of regional governments that had just been given some new important attributions in agricultural issues.

In the regulation of the economic development of the primary sector, regional governments exercised their new powers also by establishing systematic contacts with managers in the agriculture directorate general of the European commission in Brussels, which holds supervisory powers with regard to both national and regional *Piani di Sviluppo Rurale*, or “Rural Development Plans”, the formal documents defining public interventions in agriculture – the national Rural Development Plan constituting a sort of general frame within which regional governments can specify the detailed contents of the public intervention in the territory of competence.

Another element to consider is that EU regulations, differently from EU directives, are immediately enforceable in all member countries; national and regional regulations represent only a form of secondary legislation, whose contents have to comply to the community-level rules. Attitudes of EU officials affect the actual discretion in the exercise of both the national and the regional governments’ regulatory powers.

An effective interpretation of the CAP as the purest template of a distinctive community method of policy-making – and a critical analysis of the distance of the template outlined at the beginning of the ‘60<sup>th</sup> from its actual embodiments, especially for what concerns the influence of national politics on its outcomes - is reported in Wallace and Wallace (2000, fourth edition, chapters 1 and 7). The community method is indeed one of several – the authors propose five - policy modes in the European Union. The most significant feature of CAP for our study of devolution processes is its corporatist nature. This feature affects reforms in this policy sector, especially as regards the influence key stakeholders have in

either hampering or facilitating policies, like devolution, that entail the reshaping of the institutional balance of powers in the policy system. Indeed, having engaged stakeholders in the devolution intervention in the Lombardy case, and having had them to side with the regional top managers, was important for implementing devolution. People employed in agriculture shrunk from about 25% at the beginning of the '50s to about 3% of the working population in the period of observation. However, agricultural businesses' associations remained especially important in the political arena, not only because of the inheritance of their past influence, but also because of their strong "corporatist" grasp on this potential pool of voters: votes could be easily concentrated on selected candidates. Moreover, farmers' associations remained very influential as economic actors<sup>20</sup>. The three main associations, representing almost the entirety of agricultural businesses, were (are) named Coldiretti (representing in Lombardy about 50% of businesses), Confagricoltura (40%), and CIA (the remaining 10%).

The CAP represents a sector in which the public intervention is heavily influential on the economic results of businesses operating in the field; in effect the CAP can be considered a component of the Western European welfare state (following the interpretation proposed by Rieger, 2000), whose main goal is ensuring a high stability of farmers' income, hence the consensus of this component of society and the economy towards the European integration process (or, at least, these were the intentions of policy-makers when such a system was established in the '60s).

## **1.6 The Lombardy experience of devolution: case outcomes**

In the selection and analysis of the Lombardy case of devolution in agriculture, *outcomes* have been identified in the organisational transformations that occurred, and characterised in terms of some key functional requirements of the effective implementation of devolution:

1) *programmatic activities performed*: implementing devolution requires to radically alter the mix of programmatic activities performed by all tiers of government. The regional government changed significantly its core tasks: it almost entirely abandoned the delivery of services to agricultural businesses, whilst it strengthened some functions (the provision of advice to elected officials) and established entirely new ones: the delivery of subsidies to agricultural

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<sup>20</sup> The corporatist nature of the policy system is a context factor considered for proper generalisation of findings (chapter 4).

businesses (previously executed by a national agency, named AGEA); the provision of advice and services to local governments, as well as the back office for running a procedure of consultation with local authorities; and the provision of conditions facilitating the systematic engagement of farmers' associations in policy formulation as well as in service delivery;

2) *workforce realignment*: performing the new programmatic activities requires the reallocation of personnel across levels of government. In the Lombardy case, an important part of the workforce was reallocated from the region to local governments; another part of the staff was transferred to a new body (the regional Funding Body), as an effect of devolution of tasks from the central government to the Lombardy region. Changes occurred also in the job description of the staff that remained in the regional government;

3) *organisational arrangements established*: performing effectively the new core tasks requires a radically different organisational configuration in the public entities involved, in terms of: macro-structure, including the establishment of new bodies; individual positions; co-ordination mechanisms; internal decentralisation<sup>21</sup>. The agriculture directorate general of the regional government changed from a configuration that in a broad way could be characterised as a machine bureaucracy into an organisation having many features of the professional bureaucracy. Specific bodies were established (like the regional funding body, in charge of the delivery of public subsidies to agricultural businesses) and new co-ordination mechanisms were set to work (like the "inter-institutional table for agriculture", a venue for elected and tenured officials in both the regional and the local governments to meet and facilitate joint decision-making and implementation).

Case outcomes are reported in Table 1.2. Five outcomes have been identified and characterised according to the transformations occurred along the three dimensions (changes in the programmatic activities performed, the realignment of workforce and the organisational arrangements established). In the Lombardy case of devolution in agriculture, the innovation process was characterised by a radically new mix of programmatic activities and a deep redefinition of the organisational arrangements - a magnitude and a rapidity of change quite rare in the scenario of the implementation of the devolution reform in Italy – and by a reallocation of workforce that unfolded as a smooth and undisputed process. Explanation of such outcomes may provide important elements for the

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<sup>21</sup> The scheme of analysis of the organisational configuration is taken from Mintzberg (1983).

understanding of the dynamics of the implementation of devolution and the alternative courses of events that may occur.

The characterisation of outcomes has been suggested by a quite conventional consideration of literature: the performance of a different mix of programmatic activities is a common characterisation of change in public policy implementation literature, as the realignment of workforce (reallocation and/or reconversion to a different job description) and the establishment of new and different structural arrangements are a quite common way of characterising analytically significant outcomes of change in organisational literature. Change in the programmatic activities is a condition for putting into effect the new designed division of labour, a situation characterised by the fact each organisation in the policy subsystem routinely operates and sets targets consistently with its new attributions. Workforce realignment regards providing public entities with the skills required for performing the new tasks<sup>22</sup>. Organisational arrangements regard putting into effect the organisational solutions fit for attaining the new targets, and setting to work routines providing organisational stability (March, 1999, p.76) in the new circumstances of the devolved institutional setting<sup>23</sup>. By explaining such outcomes it is possible to improve our understanding of devolution processes<sup>24</sup>.

In examining the chosen case outcomes (Table 1.2), some considerations can be developed about the relations with (expected) “final outcomes” of a devolution reform (paragraph 1.1). The performance of programmatic activities like the provision of services to local authorities is likely to be conducive to reducing inconsistencies in the public sector (a potential “side effect” of devolution). Facilitating the execution of devolved tasks by local authorities may also create the conditions for having the local authorities to actually wield their powers in regulating the economic development of the rural sector in their locality, thus introducing some differentiation according to the local needs in the agricultural policy. The provision of conditions for the engagement of farmers’ associations in

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<sup>22</sup> Personnel resources are only one category of resources: material (premises, etc.) and financial resources are equally important for the running of the new tasks. However, they are less problematic, in the Lombardy case, in which the regional Government endowed Local Authorities with adequate financial and other resources, and more generally in other instances of devolution in Italy: financial resources were usually available, while it was the transfer of personnel to be problematic – for reasons that are widely examined in chapter 3.

<sup>23</sup> Here, we put emphasis on routines as a source of stability – i.e. we employ a more “traditional” view of routines as individual habits or programmes that allow an organisation to maximise efficiency and legitimacy, and minimise conflict and ontological insecurity – though we agree with Feldman and Pentland (2003) that this represents only part of the story, as routines may be sources of stability as well as of change, as the authors argue by introducing the distinction between the ostensive and the performative aspect of a routine.

<sup>24</sup> Specific features of such outcomes depend on the policy package to be implemented (what programmatic activities will be performed by which level of government); in the analysis, transformations have been categorised in terms as abstract as possible from the detailed features of the policy package in the Lombardy experience.

policy formulation and delivery may encourage recipients of the policy process to play a more active role in it. The reallocation of significant contingents of personnel to the authorities in charge of new tasks has important implications in terms of avoiding duplications and thus a likely increase in overall “costs” of the public sector after devolution.



	<b>Programmatic Activities</b>	<b>Workforce Realignment</b>	<b>Organisational Arrangements</b>
<i>Outcome 1)</i>	<p>Elimination of service delivery function (at regional level)</p> <p>-----</p> <p>Establishment of the service delivery function (at local level)</p>	<p>Reallocation of personnel from the region to local governments</p>	<p>-----</p> <p>Set up of a machine bureaucracy for service delivery (local level)</p> <p>Integration of former regional units with the "back office" of the organisational structure in local authorities</p>
<i>Outcome 2)</i>	<p>Provision of advice to elected officials</p>	<p>Change of job description</p>	<p>Change to Professional Bureaucracy (regional level)</p>
<i>Outcome 3)</i>	<p>Delivery of subsidies to agricultural businesses</p>	<p>Reallocation of personnel from the region to the funding body</p>	<p>Establishment of the regional funding body</p> <p>Accreditation of the Centres of Agricultural Assistance (CAA)</p>
<i>Outcome 4)</i>	<p>Provision of advice/services to local governments</p> <p>Provision of conditions for the engagement of local governments in policy formulation and implementation</p>	<p>Change of job description</p>	<p>Change to professional bureaucracy (at the regional level)</p> <p>Establishment of the procedure for consultation with local governments</p>
<i>Outcome 5)</i>	<p>Provision of conditions for the engagement of stakeholders in policy formulation and delivery</p>	<p>Change of job description</p>	<p>Change to professional bureaucracy (regional level)</p> <p>Establishment of the procedure for consultation with farmers' associations</p>

**Table 1.2: case outcomes**

All in all, the intermediate outcomes selected for examination are likely to be conducive to at least some of the final outcomes usually considered as results that a devolution intervention should produce, though the linkage between intermediate and final outcomes is problematic. There are in fact a number of practical and methodological barriers in achieving a rigorous evaluation and attribution of performance changes (Pollitt et al., 1998, pp. 164-165): the difficulty in measuring performance (operationalisation of the dimensions of performance), the almost impossibility of collecting *ex ante* data (to make a before-and-after evaluation), the logical difficulties in attributing change in performance to devolution, because of the important contemporaneous changes occurring at the same time in the public sector (see also Table 1.1). Another difficulty is related to the specific policy sector in the country considered. The Common Agricultural Policy is primarily a “distributive” policy: the main output is the delivery of subsidies finalised to support the income of farmers - though there are also other goals of the CAP, including ensuring safety of food and safeguard of the environment, which determine the performance of a range of services and administrative tasks (from control over health standards in production processes to land drainage interventions – see also Table 1.3) other than the delivery of funds. In this respect, programmatic and organisational changes concerning what levels of government administers the case management of farmers' applications may have limited influence on the final outcomes (sustaining the income of farmers).

Some approaches could be proposed for overcoming, or at least attenuating, the difficulties identified. Instead of struggling in an impervious collection of *ex ante* data, perceptions by managers – collected by interviews - about some profiles of improvement of policy delivery in Lombardy could be considered as indicators of a trend in the effectiveness of public services (whether improvement or worsening) before and after the devolution reform – though with all the huge limitations of relying on perceptions about events that unfolded over a long period of time. Another approach is the investigation of the final recipients of the agricultural policy, i.e. businesses in the sector. A survey commissioned by the Lombardy regional government in January 2005 showed a high degree of satisfaction by agricultural businesses as regards the interface with the public sector for activities related to the delivery of public subsidies, a result that might provide an indirect confirmation about the quality of policy delivery in agriculture after devolution<sup>25</sup>. Quality of the interface with users may be an important part of policy delivery, even if the regulatory framework remains unchanged. Some other

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<sup>25</sup> SDA Bocconi School of Management internal report, February, 2005.

data are more “objective” and can be more easily collected: e.g. the volumes of administrative controls over the employment of public subsidies carried out before and after devolution (the assumption being that the more the controls, the less frauds and abuses are likely – limiting the number and size of abuses being an important performance indicator in distributive policies), an indicator that indeed showed an increase - though again, attributing it to devolution is problematic. Another approach could lie in considering the overall process in Lombardy as a major intervention dominated by the priority of devolution, and accordingly attribute changes in policy delivery to devolution – an approach which appears, at least, quite arbitrary.

These difficulties suggest the importance of explaining change in terms of outcomes like workforce realignment, programmatic activities performed and organisational arrangements established: they represent a direct result of the devolution process, whose dynamics are the subject of the present study, which in addition can also be reasonably considered as conducive to improved performance, as well as to other important results of devolution beyond improved service delivery, like enhancing citizens engagement in the policy process, increasing local differentiation of public policies, keeping cohesion and avoiding inconsistencies in the public sector (especially between levels of government), and reducing duplications. More importantly, as already made clear, these outcomes are directly linked to the organisational change that occurs in devolution processes, which is the proper focus of the research questions addressed – understanding the dynamics of devolution processes and how top executives should lead such interventions.

Programmatic activities actually performed and the related changes in organisational arrangements and workforce in the Lombardy case (Table 1.2) can be contrasted with the mandatory tasks attributed by the national and regional legislation to the regional government (Table 1.3 reports the formal attributions of different tiers of government before and after the national law on devolution - Act 143 in 1997 - and the regional law on devolution in agriculture - Act 11 in 1998). Competences in the delivery of subsidies were devolved from the central government to the Lombardy region, together with some regulatory powers. Delivery of services and other competences were devolved from the region to local authorities.

<b>Formal competences</b>	<b>Lombardy region before Act 143/97 and Act 11/98</b>	<b>Lombardy region after Act 143/97 and Act 11/98</b>	<b>Local authorities in Lombardy before Act 143/97 and Act 11/98</b>	<b>Local authorities in Lombardy after Act 143/97 and Act 11/98</b>
Delivery of financial subsidies to agricultural businesses	Case management of applications (no final delivery of subsidies)	Delivery of subsidies (by way of the regional Funding Body)	No tasks	Case management of applications
Control over proper spending of subsidies, production processes, health standards	Limited tasks	Setting of control criteria and targets (e.g.: number of inspections, etc.)	No tasks	Control of regularity and on the field inspections
Delivery of services for the territory	Service delivery	Delivery of a few services (mostly contracted to the regional executive agency) Regulation of service delivery	No tasks	Delivery of most services
Regulation of the rights of utilisation of territory	Limited regulatory powers	Increased regulatory powers	Very limited regulatory powers	Very limited regulatory powers
Accordance of licenses (for the cultivation of specific products, for farm-holiday, etc.)	Case management of applications Limited regulatory powers	Regulation (direct provision of "quality and place of origin" certification)	Limited tasks	Case management of applications

**Table 1.3: Formal competences before and after the national and the regional laws on devolution in agriculture**

Especially from the standpoint of the administrative law paradigm dominant in Italy (Capano, 2003, see paragraph 1.1 and chapter 3), in which "not prescribed means proscribed", some differences between mandatory and actual tasks performed are striking. So was the magnitude and rapidity of change, and the smooth way the reallocation of workforce unfolded.

What explains the transformations that occurred in the agriculture directorate general of Lombardy region in the course of the implementation of devolution?

The analysis has been developed by addressing three main questions:

- 1) What explains the actual behaviour of regional top managers in the Agriculture Directorate General and the way they led the intervention of adaptation to devolution to determine the outcomes observed?
- 2) What explains the scale of re-alignment of the workforce from the region to local governments?
- 3) What explains the significant degree of difference from the previous organisational arrangements?

The first question is in some sense preliminary and it is addressed to explaining the behaviour of regional top managers in the agriculture directorate general of Lombardy region and the consistency of the decisions that were made by them during the implementation episode. The second question is focused on explaining outcome 1, while the third one is concerned with the overall outcomes of the devolution process.

These questions are discussed in chapter 3, after the illustration of the Lombardy experience. On that basis, some theorisations are drawn about the dynamics of the implementation of devolution processes (chapter 4) and subsequently employed in the definition of practices for the management of interventions of devolution (chapter 5). We can now turn to preview the overall results of the research.

## **1.7 A preview of the results of the research**

Three sets of factors have been identified that affect the dynamics of the devolution process. A first set relates to the cultural dimension and the features of the politico-administrative system, including the nature of the executive government and the type and degree of political competition. A second one can be expressed in terms of the rules and routines established by the public management policy in a given country (Barzelay, 2001 and 2003), especially the regulation of the civil service.

The third set of factors regards the organisation constitution and the management systems at the level of the individual public sector organisations in the devolution process, including the human resource management system, the organisational configuration, the budgeting system. They depend partly on public

management reforms at the national level (which may provide important pressures on individual public sector organisations for changing their management systems) and partly on the specific history of the organisation and the way it has been run by elected and tenured officials.

As regards the way these factors affect devolution, a first tentative statement is that the joint presence of a) functional features of the executive government that favour the stability and cohesion of the dominant coalition and b) human resource management systems capable of providing incentives to performance-orientated behaviours and allowing flexibility in the appointment of top managers, enables a selection process likely to lead to appoint public managers with an entrepreneurial approach and to provide incentives that - especially when concatenated with a mechanism of *actor certification*<sup>26</sup> - enhance the likelihood of them adopting a course of action conducive to the effective implementation of devolution.

A second set of claims that may be drawn from the analysis of the Lombardy experience is that monetary incentives or promotions are important but likely not to be enough for making the reallocation of personnel to lower levels of government a smooth process in countries in the Napoleonic tradition of governance - in which the status is higher and, quite often, the contractual conditions are much more favourable in the upper tiers of government. The *forming of a belief of inevitability* (Weick, 2001) and the contemporaneous inhibition of a *mechanism of attribution of threat*<sup>27</sup>, and the triggering of forms of rational imitation at the individual level (Hedstrom and Swedberg, 1998) are important ingredients for explaining the realignment of workforce. The combination of these *social mechanisms* (see paragraph 1.8) provides an interpretation of why and how workforce realignment can occur in a smooth way under circumstance that should otherwise hamper the process. The realignment of workforce is a process sensitive to factors like the culture of governance and the high status and profile of career paths associated with working in higher tiers of government in the national tradition of governance in Italy (as well as in other countries with a similar administrative tradition). It is also sensitive to the set of options available to managers to lead the intervention, like the articulation of the legal instruments by which staff can be rewarded (in turn affected by the current regulation of pay schemes in the public sector); and by the set of options available to staff to resist change, which include means ranging from organised

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<sup>26</sup> Certification (McAdam et al., 2001, p. 145) refers to the validation of actors, their performance and their claims by external authorities. This and the other mechanisms introduced here are examined later, see paragraph 1.8 and chapter 3.

<sup>27</sup> Attribution of threat is an activating mechanism (McAdam, Tarrow and Tilly, 2001, p. 43 and 95) responsible for the mobilisation of previously inert populations (or social groups in general).

lobbying to going on strike; the efficacy of such means vary considerably from country to country (and sometimes within the same country). There are also other factors, related to the organisation constitution, influencing the realignment of workforce: the culture bias of the organisation devolving staff and of the public entities to which personnel is reallocated, that affects the integration of staff in the recipient organisations; and the financial, logistical and other resources available to both the devolving and the recipient organisations for sustaining the intervention.

A third conclusion regards the importance of the concatenation of three social mechanisms for sustaining momentum of the implementation process: *appropriation of mobilising structures*<sup>28</sup>, *brokerage*<sup>29</sup> and actor certification. The concatenation of the social mechanisms of appropriation of mobilising structures by the top management in the public entity leading the devolution intervention, brokerage of the devolution agenda with key stakeholders' agenda, and actor certification by top managers of new and different behaviours in the middle management determines sustained momentum of the intervention of devolution, as well as providing an important contribution to increasing intra- and inter-organisational co-ordination.

Findings of the research are integrated with results reported in literature in order to draw a broader scheme that might be useful for advancing our knowledge about the dynamics of the implementation of devolution processes. We have seen (paragraph 1.2) that Pollitt et al. (1998) have sketched a possible outline of a theory of "implementation habitats for decentralisation", or, using a more conventional terminology, a scheme of the main factors affecting the implementation of decentralisation. The notion of "habitat" should be interpreted in the sense that the logic of the analysis is to identify whether each factor facilitates or hinders the implementation of decentralisation – i.e. whether it determines a habitat more or less "favourable" to decentralisation. Two categories of factors are identified by the authors: service characteristics and local characteristics.

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<sup>28</sup> Mobilising structures are social spaces put at the service of interpretations of situations and objectives – it is a type of social mechanism employed by McAdam et al., 2001, for explaining change in social systems.

<sup>29</sup> Brokerage is defined as "the linking of two or more previously unconnected social sites by a unit that mediates their relations with one another and/or with yet other sites [...] it can become a relational mechanism for mobilisation [...] brokerage reduces transaction costs of communication and co-ordination among sites, facilitates the combined use of resources located at different sites, and creates new potential collective actors" (MT&T, p. 26 and 102) ; this and the previous social mechanisms will be analysed more diffusely in chapter 3.

The first building block of the outline of such theory is the analysis of how some service characteristics affect decentralisation. More in detail, the authors argue that the nature of the contacts with users (their frequency – from remote to continuous - and closeness – from face-to-face to remote) as well as other characteristics like whether the service is universal or selective, and whether it is consumed on an optional or a mandatory basis, have an influence on the degree with which users of services will become influential actors in the change process. In the outline proposed in the present work, illustrated and discussed in chapter 4, service characteristics are included in the broader category of the characteristics of the sector in which devolution occurs, and in particular the nature of the policy process and the way stakeholders affect public policy-making. Another aspect regards the implications of the nature of the service in terms of being capital-intensive “versus” labour-intensive: in the present work they are treated in a way which is partly different from Pollitt et al.’s approach. While agreeing with the argument that capital-intensive services may require an adequate size of the recipient organisations for the execution of the programmatic tasks devolved to be feasible, differently from the authors we argue that labour-intensive services may be the most difficult to implement as they entail massive workforce reallocation which, under circumstances present in Italy and probably common in a number of countries, may incur in a course of events likely to lead to a substantive halt of the process - though, as we have seen, alternative courses of events may occur, provided a concatenation of the forming of a belief of inevitability and the triggering of forms of rational imitation at the individual level takes place.

The second category of factors identified by Pollitt et al. (1998) are the local characteristics. In the analysis of local factors, we introduce a distinction between *locality factors* and the *organisation constitution*. By locality factors it is meant those factors like the socio-demographic composition of the community - the argument, as we have seen, is that a population mainly affluent and well-organised is likely to be in a stronger position either to support a reform or to offer “recalcitrance” to it - and the nature of party political competition – the argument being that a less conflictual political competition may facilitate the implementation of decentralisation. An expansion of the argument about the influence of political competition proposed by Pollitt et al. is that when examining devolution (a specific type of decentralisation), the vertical dimension (local-central) is likely to be significant too, and in particular that a certain degree of competition between central and regional/local governments<sup>30</sup>, especially when matched with a

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<sup>30</sup> And possibly also a degree of competition among regions in the country.



consensual dynamic at the regional/local level, may spur the implementation of devolution.

By organisation constitution it is meant the organisational culture, structure and routines of both the devolving and the recipient organisations. The characteristics of the routines for the management of human resource are especially significant as they may affect in a crucial way both the reallocation of personnel and the selection and appointment of public managers in the key positions for the devolution process to occur. Culture bias in the organisation, it is argued in chapter 4, affects *inter alia* the sensitivity to monetary incentives by the personnel to be reallocated (which in turn affects the likely magnitude of the resistance to change). The pre-existing organisational model (in the Lombardy case, a deconcentrated model, i.e. based on territorially-located offices) has a significant influence on the reallocation of personnel.

Regarding service and local factors, the Lombardy case is significant mainly for “adding confidence” to the results of the study by Pollitt et al. (1998), and as a way of expanding - especially by considering the ways the organisation constitution of public entities both devolving and recipients of authority affect the devolution process - and integrating the claims that have been formulated about the influence of these two groups of factors on the dynamics of devolution and decentralisation processes.

Besides the organisation constitution, most of the factors identified in the present work seem to be related to a third broad category, which we might refer to as “national factors”, as they refer to the politico-administrative context of the country in which devolution takes place. The administrative law paradigm, the social status associated with working for higher tiers of government, the nature of the executive government (majoritarian or consensual) are all factors related to the cultural and politico-administrative context of a nation: they combine with public management policies in affecting the dynamics of devolution processes in a given country.

The overall model of the factors affecting devolution is illustrated in detail and discussed in chapter 4. It represents a form of theorisation about processes of devolution in the public sector.

An improved causal understanding of the dynamics of devolution (how alternative chains of events may unfold) is the basis for designing practices that can be employed by public managers for leading devolution interventions. The analysis of the case has in fact been used for extrapolating some *practices* for conducting a devolution intervention, thus addressing the second research

question regarding how top executives of public entities devolving authority should lead an intervention of adaptation of public sector organisations to devolution.

Extrapolation may be defined (Barzelay, 2005) as an interdependent process of learning from vicarious experience and designing practices, having the purpose of improving the performance of public sector organisations in one situation (target site) by employing experience acquired elsewhere (source site). As it is discussed in closer detail in chapter 5, extrapolation poses the problem of the intellectual division of labour between researchers' and practitioners' activity. Designing practices apt to solving extant problems is the daily concern of practitioners<sup>31</sup>. Consequently, in the present study, by the process of designing of a practice we mean the process of drafting practices apt to structuring situations in motion according to given purposes (Barzelay, 2005) under circumstances defined in sufficiently general terms by a set of context factors (whose identification is based on the causal understanding of the phenomenon). Such practices (examined in chapter 5) can subsequently be tailored by practitioners to specific situations by carrying out the detailed design.

Practices identified are, e.g., the use of a consultation procedure between the public entity devolving and the entities receiving authority (as it was the inter-institutional table of agriculture employed in the Lombardy experience): on the one hand, it can be a powerful co-ordination mechanism (design dimension of the practice), on the other hand it can be employed as a mobilising structure that make change be interpreted as an opportunity and not as a threat (motivational and behavioural dimension), thus contributing to make the devolution process acquire momentum. The analysis of the inter-institutional table in agriculture in terms of a mobilising structure allows to interpret it as an organisational instrument performing a crucial innovation function, in addition to the co-ordination function usually attributed to these otherwise quite common administrative instruments.

Another practice is the approach employed in the transfer of personnel: it is based on a combination of the careful selection of personnel, monetary incentives and modalities of interface with the personnel that induced the forming of a belief (Weick, 2001) about the inevitability of devolution, which in turn facilitated the triggering of a mechanism of adaptive preferences (Hedstrom and Swedberg, 1998) and smoothed the process of reallocation of personnel to lower levels of government.

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<sup>31</sup> Though, clearly, not all practices are designed on the basis of vicarious learning from other experiences.

These and other practices can be employed by public managers for attaining the functional requirements of the implementation of devolution: the reallocation of personnel; the performance of a new mix of core activities; the adoption of new organisational arrangements apt to the new circumstances. The protocol of organisational analysis employed for the extrapolation of practices is illustrated subsequently (paragraph 1.8) and examined more closely in chapter 5. Results take the shape of a “menu of practices” for the management of devolution processes that public managers can decide to activate according to the conditions they operate in. Factors identified are considered for specifying the way the practice works and the domain of applicability of each practice. Such knowledge may prove usable by public managers in Italy and elsewhere for leading interventions of implementation of a devolution agenda.

### **1.8 The approach and conceptual tools employed in the analysis of the case**

In order to characterise the approach adopted in the analysis of the empirical evidence, the notion of case-oriented studies (as opposed to variable-oriented) may be recalled (Ragin, 1987). Case-oriented studies are characterised by a holistic approach (cases are treated as whole entities and not as collections of parts: relations between the parts are understood within the context of the whole) and by a conjunctural understanding of causation (outcomes are analysed in terms of intersections of conditions). This approach is consistent with Pettigrew’s (1990), according to which “the context, content and process of change together with their interconnections through time are explored [...] Where the change is treated as the unit of analysis, the focus is on [...] one episode. In this kind of *holistic* [emphasis added] analysis of change, it is assumed that target changes should be studied in the context of changes at other levels of analysis, and revealing temporal interconnectedness is crucial. Changes have multiple causes – the convergent interaction of (context and design) features can explain change”. This approach is also widely consistent with a research tradition strongly oriented to producing a process understanding of the phenomena investigated.

In the concrete application of this approach, the narrative method (Abbott, 1992a and 1992b, Ragin, 1987) has been employed for ordering and structuring the experience (which is the phase preliminary and preparatory to the analysis and interpretation of the case). According to this method, the case and its context

is articulated into Events (see Appendix, Figure 1 in particular). Events have been identified and classified as: the Episode (further articulated into sub-events), Previous Events (PE) and Contemporaneous Events (CE), affecting the Episode, and Related Events (RE), affected by the Episode.

Previous Events regard setting devolution as a political priority in the Lombardy regional government agenda (PE1), devolving functions in agriculture from the state to regions (PE2), and reorganising the Lombardy regional government (PE3).

Contemporaneous Events regard public management policy-making at the national level (CE1), enacting sectoral laws on devolution in different policy sectors at the national level, and the “federal” reform of the constitution (CE2), holding electoral rounds at the regional and national level (CE3), enacting the secondary legislation (national ministry decrees) on devolution in agriculture (CE4), and setting a new regulation and arrangements in agriculture at the regional level (CE5).

A detailed set of questions has been produced about describing the Episode. Questions and sub-questions have been answered thus coding the empirical evidence collected and producing the narrative of the episode (see list of descriptive questions in Appendix).

Moving to the phase of the analysis and interpretation of the case, the main methodological problem has been the identification of the conceptual tools to employ in the analysis of complex change processes like those triggered by a devolution reform – tools capable of revealing the multiple causes of change (Pettigrew, 1990) and specifying the social “cogs and wheels” of the phenomenon investigated (Elster, 1993). A research tradition from which important intellectual resources have been drawn for the purpose of improving our understanding of devolution processes is the one exemplified by the works of Kingdon (*Agendas, alternatives and public policies*, 1994) and McAdam, Tarrow and Tilly (*The dynamics of contention*, 2001), and “imported” in the field of public management by Barzelay and Campbell (*Preparing for the future*, 2003); a research tradition strongly oriented to developing a processual understanding of the phenomena investigated. The main conceptual tools employed by these authors are social mechanisms and their *concatenation*. Another concept employed is the *logic of appropriateness* (March, 1994, March and Olsen, 1989).

The social mechanisms approach is a recently revived theoretical perspective to the study of collective social phenomena; Elster (1989) and Stinchcombe (1991) interpret social mechanisms as “the building blocks” of an advocated

middle-range theorising which, in their opinion, can provide an important contribution to revitalising the study of social phenomena. This approach has strong roots in sociology, as illustrated by Boudon (1991), revisiting the work of Merton who originally defined social mechanisms as “social processes having designated consequences for designated parts of the social structure” and argued that the main task of sociology was to identify mechanisms and establish under what conditions they “come into being”, “fail to operate”, and so on (Merton, 1968, pp.43-44). This approach has recently been applied to a number of topics like the dynamics of contention (McAdam et al., 2001) and public management policy change (Barzelay, 2003).

Social Mechanisms can be defined (Hedstrom and Swedberg, 1998) as unobserved analytical constructs that provide hypothetical links between observable events: “Assume that we have observed a systematic relationship between two entities, say I and O. In order to explain the relationship between them we search for a mechanism, M, which is such that on the occurrence of the cause or input, I, it generated the effect or outcome, O. The search for mechanisms means that we are not satisfied with merely establishing systematic covariation between variables or events; a satisfactory explanation requires that we are also able to specify the social “cogs and wheels” (Elster, 1993, p.3) that have brought the relationship into existence ... a mechanism can be seen as a *systematic set of statements* that provide a *plausible account* of how I and O are linked to one another” (Hedstrom and Swedberg, 1998, p. 7, emphasis added). In a similar way, and explicitly citing Hedstrom and Swedberg, McAdam et al. (2001) define social mechanisms as “delimited sorts of events that change relations among specified sets of elements in identical or closely similar ways over a variety of situations”. Stinchcombe (1991) sheds further light on the point by arguing that mechanisms are “bits of theory about entities at a different level (e.g. individuals) that the main entities being theorised about (e.g.: groups) which serve to make the higher-level theory more supple, more accurate, or more general”. With an alternative, complementary definition (Schelling, 1998, p. 32): “a social mechanism is a plausible hypothesis, or set of plausible hypotheses, that could be the explanation of some social phenomenon; the explanation begins in terms of interactions between individuals, or between individuals and some social aggregate”.

Social processes (McAdam et al., p.24) are regular sequences of such mechanisms that produce similar (generally more complex and contingent) transformations of those elements. Concatenation of mechanisms is central in understanding change processes: “[M]echanisms seldom operate on their own.

They typically concatenate with other mechanisms into broader social processes” (Gambetta, 1998, p. 105), and “[E]xplanations of most concrete social events or states require resort to several elementary mechanisms; one is not enough. Sometimes, these mechanisms counteract one another, and sometimes they work together” (Hedstrom and Swedberg, 1998, p. 21).

We consider that social mechanisms and their concatenation are affected by the institutional context: institutions affect the triggering or inhibiting of social mechanisms, thus influencing the concatenations of social mechanisms at work, which provide part of the explanation of differences in trajectory and outcome of the type of social processes under investigation. Individual agency is also central in determining which social mechanisms are triggered in a given situation.

Social scientists make use of a number of well-known mechanisms<sup>32</sup>. Among the most famous ones, there is probably the mechanism of self-fulfilling prophecy; in the number of social mechanisms employed in the present work, there is actor-certification, attribution of threat, brokerage, and appropriation of mobilising structures; they are discussed in chapter 3.

As to the logic of appropriateness, it is a logic according to which (March, 1999, p. 44) “The actor is seen as a collection of identities that dictate appropriate action in particular situations. The problematics of choice are seen as lying in the definition of the salient identity and the classification of the situation” (see also March, 1994, and March and Olsen, 1989). Rules of action are derived from understandings of things, from self-conception and conception of society, and from images of proper behaviour. Fulfilling an identity through following appropriate rules involves matching a contingent set of rules to a contingent set of situations (and adapting identities, rules, capabilities to changing situations): “[An] appropriate action is one that fits the situation, given the agent’s evoked identity” (Barzelay, 2003).

Other important conceptual tools in the analysis of the process dynamics of devolution have been drawn from organisational studies on decision-making processes (March, 1999) and especially the notion of sense-making as characterised by Weick (1995 and 2001).

As regards the problem of conducting the extrapolation from the Lombardy experience of practices that public managers may employ in leading an intervention of devolution, a specific protocol of analysis has been elaborated from literature. Each practice is described and characterised in terms of: a) the

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<sup>32</sup> Though, unfortunately, a catalogue of social mechanisms does not exist yet, even if it would be most probably welcomed, as claimed by Gambetta (1998, p. 103).

functional requirement it addresses<sup>33</sup> (e.g.: reallocating personnel), b) the way it works (by answering the two interrelated questions: how does the system as a whole operate<sup>34</sup>? and, how does the practice try to take advantage of the way the system operates?), c) the variations in performance (by answering a battery of questions about the possible side effects of the practice, the conditions under which performances are unusually satisfactory or at the opposite seriously at risk of breakdown), d) the context factors that determine the “domain of applicability” of the practice, or, in other words, the circumstances under which the practice is likely to produce the expected effects (the protocol of analysis is examined more closely in chapter 5).

The application proposed adopts the *smart practices approach* (Bardach, 1994 and 2004, Barzelay, 2005), a theoretical approach to the issue of the extrapolation of practices. An assumption shared by advocates of this approach is that learning from second-hand experience (the extrapolation problem) is more complex than ascertaining whether a given practice is effective in the source site (the evaluation problem); it is also more complex than editing lists of practices that have been deemed to be effective in the source site; extrapolation is the process of learning from vicarious experience and designing practices fitting the (new and diverse) circumstances to which the practices are to be applied. At the core of the smart practices analysis there is the strong integration of the “technical”, *design dimension*, the understanding of the results that should characterise the operation of a practice truly apt to solving a managerial problem, with the *motivational and behavioural dimension*, the understanding of how the practice becomes mature (the development process) and why it is actually operated; champions of the smart practices approach argue that works in management literature too often underestimate the innovation process.

Another qualifying aspect is that this method carefully relates practices to the context conditions to which their performance is sensitive, thus avoiding inaccurate generalisation of the domain of applicability, i.e. the error of elevating to the status of “best practices” some practices that are instead applicable only to a very specific set of circumstances<sup>35</sup>. In the work it is assumed that this protocol of analysis, though it too has some risk areas, is capable of answering serious criticisms commonly addressed to the “conventional” research on best practices. These aspects are discussed in chapter 5, where the novelty of this approach emerges from the critical revisiting of the issue of whether current research

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<sup>33</sup> Studying a practice’s features is of analytic significance only insofar as their operation performs a purpose or function.

<sup>34</sup> Which entails a causal understanding of the experience in the source site.

<sup>35</sup> This approach also systematically employs the notion of potential, and avoids assumptions of determinism about the social processes on which practices intervene (Bardach, 1998, pp. 46-47).

conventions in public management are effective as regards the identification and supple elaboration of “best” practices to be used for addressing key problems in the management of public sector organisations. The work agrees with criticisms to current conventions and explores the potential of the smart practices approach applied to the management of devolution processes.

The narration of the history of devolution in agriculture in Lombardy is reported in chapter 2. The work then turns to the explanation of case outcomes (chapter 3) and, drawing on these results, addresses the issue of the significant differences in the courses of events that may occur in the implementation of devolution and examines the factors affecting such process (Chapter 4). Subsequently, the “extrapolation problem” is addressed and a menu of practices for the management of a devolution intervention is elaborated (chapter 5).



## **2. The establishment of the devolved setting: adaptation and organisational innovation in the Lombardy experience**

### **2.1 The episode of devolution in Lombardy: previous and contemporaneous events**

Following up, on July 1998, the enactment of the law on devolution in agriculture by the regional assembly, a course of events leading to radical transformations of the institutional setting and profound organisational changes unfolded. The regional government changed significantly its programmatic activities: it almost entirely abandoned the delivery of services, while it started to execute new functions like the delivery of subsidies to agricultural businesses, the provision of advice and services to local governments, the provision of conditions facilitating the engagement of farmers' associations in policy formulation and service delivery. Most services to end-users came to be delivered by local governments (provinces and for a limited part mountain communities), which were supported by the regional government in setting to work the devolved tasks<sup>1</sup>. An important part of the workforce was reallocated from the region to local governments; another part of the staff was transferred to a new entity, the regional funding body, that was established and given the task of delivering subsidies to agricultural businesses (previously a central government competence). The agriculture directorate general of the regional government changed from a configuration that in a broad way could be characterised as a machine bureaucracy into an organisation having many features of the professional bureaucracy.

The narration of the episode follows mainly an institutional view. At first, the devolution of tasks from the region to local governments (which includes the event of the massive reallocation of workforce) is illustrated (paragraph 2.2). This event unfolds over the period 1998-99. Then, the transformations in the regional government, that were linked to the acquisition of new attributions from the central government, are narrated (paragraph 2.3). The event unfolds over the period spanning from 1998 to May 2002, when the regional funding body was

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<sup>1</sup> The results of a survey showed that - at the date of April 2000 - most of devolved function were "fully at work" in the majority of provinces and mountain communities (Ongaro, 2001, pp. 404-407 - responses were obtained from all the 11 provinces and 23 out of 30 mountain communities).

fully operational. Before illustrating these events, some influential previous and contemporaneous events need to be recalled.

Prior to the devolution episode, important organisational modifications had occurred in the regional structure and routines, as a consequence of a major government-wide reorganisation that was carried through over the period 1996-97. A divisional organisational model was introduced, giving a significant autonomy to the *Direzioni Generali*, or directorates general, the “divisions”, or macro-units, responsible for a programmatic field and run by a director general.

A set of organisational mechanisms were established for assuring horizontal co-ordination at the top of the hierarchy; a “committee of the directors general” was established, that used to meet every week on Tuesday morning. It was chaired by Andrea Sanese, the secretary general of the Lombardy region, leading the powerful and well-staffed regional presidency directorate general.

Within each directorate general, there were three hierarchical tiers: organisational unit, sector, operational unit. Each organisational unit was made up of two or more sectors, which in their turn were articulated into two or more operational units

Especially significant for our story is also the establishment of the regional territorial offices: units placed in each locality of the Lombardy territory and operating as the front office in the relations with users. From an organisational point of view, they were cross-cutting the directorates general, forming a sort of organisational matrix - the second dimension being the territorial one. In fact, personnel was on the one hand functionally dependent on the directorate general they belonged to, while on the other hand all directorates could rely on them for specific issues to deal with - co-ordination of staff being, in the design, ensured by the director of the territorial office. Ten territorial offices were established, each operating on the same area of a provincial government, with the exception of the province of Milan that had to interface directly with the regional headquarters, without the intermediation of a territorial office. Before the 1997 reorganisation, the administration of agricultural affairs (like all other sectors) was centralised at the headquarters in Milan. After the establishment of the territorial office, the organisational model fell under the category of the “deconcentrated models”<sup>2</sup>.

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<sup>2</sup> We adopt the terminology provided by OECD/PUMA (1997), according to which deconcentration is an organisational model based on the establishment of territorially-distributed organisational units, while remaining from an institutional point of view *within the borders* of the upper level of government (the rationale for this model usually invoked is that of getting nearer to users – compared with centralised organisational models - while at the same time guaranteeing uniformity of treatment towards users).

The major revamping encompassed also financial management, in the direction of a significant budgetary autonomy to the directorates general (endowed with a sort of comprehensive budget, to achieve a set of highly formalised annual targets) and the human resources management system. Particularly significant, especially for the starting of the story of devolution, was the reform of the criteria for appointing managers introduced by the regional government. Managers were appointed for a relatively short term to a stint and formally evaluated against the achievement of the assigned targets – in case of non-fulfilment, and in any case at the end of the term, managers could be removed. After the 1997 revision of evaluation routines, the performances of managers were assessed by the director general; performances of staff were assessed by the manager of the operational unit to which they were assigned. The director general and the deputy director general were assessed by the regional government (the *Giunta*), supported by a *Nucleo di Valutazione*, a committee in charge of supporting the regional government in designing the systems for the management of personnel – the committee and the secretary general were key actors in this process. The regional government appointed directors general and their deputies.

Another provision was the establishment of the category of the “professionals”: experts performing on an individual basis tasks that require specialised skills. Previously, all staff that, by winning a public competition, had obtained the status of “manager” had both the duty and the right of managing an office, i.e. of being in the position of co-ordinating other people. After the reform, that occurred also as an effect of the implementation of the provisions contained in the national legislative decree Number 29 in 1993, civil servants could be employed, in alternative, in the position of professional (such mechanism was intended as a way of introducing differentiation in the employment of human resources). The mechanism further increased flexibility, since managers could not only be moved from the co-ordination of one office to another office, but also placed in “standing alone” individual positions – that is entirely out of the hierarchical chain of command.

Examining evidence about whether such kind of rationalistic model actually worked – and what intended and unintended consequences it produced – is out of the scope of the present investigation<sup>3</sup>; but an effect needs to be pointed out for its influence on the development of the story: the reform led to a high level of

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<sup>3</sup> Though undoubtedly of theoretical interest.

flexibility in the appointment of regional managers to different stints by the government.

This reform combined with another process, indeed occurring in many regions throughout Italy at the same time, but in a particularly radical way in Lombardy. Most of the regional managers that had the requirement in terms of length of service were “encouraged” to retire early (as part of a plan of downsizing of the Region that shrank the total number of managers from 380 at the end of 1996 to 261 on the 30<sup>th</sup> of June, 2002). Only six out of the twenty managers in the agriculture directorate general in charge in 2002 were appointed before 1998; fourteen managers entered the agriculture directorate general during the devolution process. In the six top positions of general managers, the turnover was complete (including the director general and the deputy director general).

The 1997 revamping of the organisational structure and routines highlights the influence of previous and contemporaneous public management reforms that occurred in Italy (and were briefly summarised in paragraph 1.5). Especially influential was the reform of civil service and labour relations (legislative decree 29/93), which created the conditions for the adoption in the Lombardy region of new routines for the management of human resources.

The legislative decree 59/97, that started devolution from the central government to regions, was followed up by some sectoral decrees establishing the provisions for devolution in a number of policy sectors beyond agriculture. This event contributed to keeping the issue of devolution high on the governmental agenda of both the central and the regional governments, at least until the 2001 general elections (see paragraph 1.4).

In the specific sector of agriculture, a number of decrees were issued by the national government following up the law 143/97 concerning devolution in agricultural affairs. It was a body of secondary legislation (decrees are issued by the executive government, in the case the ministry of agriculture) of extreme importance for the implementation of devolution to occur. Decrees of the ministry of agriculture provided the legal basis for important interventions like the establishment of the regional funding body, or the development of the computerised inter-organisational information system<sup>4</sup>.

Another influential event was the regulation 1257/99 issued by the European Council in May 1999, defining the contents of the new Common Agricultural Policy (CAP) cycle for the period 2000-06. The new regulation devolved some

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<sup>4</sup> Though actual responses at the regional level to modifications in the normative environment were extremely diversified, which is another reason of our interest in the Lombardy case.

decision powers concerning the planning of government intervention to the country level. Some provisions of "Agenda 2000", as the new regulation was known, opened an opportunity for a more incisive role of the regions in the regulation of the programmatic field of agriculture. Though the contents of Agenda 2000 were negotiated at the EU level by representatives of member states, and sub-national governments in Italy did not take part to the negotiation rounds, the regions were allowed a great discretion for elaborating the public programme regulating the development of the agricultural sector in their own reference territory. The regional regulation of public intervention in agriculture that each regional government had to enact as part of the implementation of the EU Common Agricultural Policy was labelled *Piano di Sviluppo Rurale*, or Rural Development Plan, and made reference to the same temporal horizon of the European Agenda (the period 2000-06). Instead of one nation-wide public programme, there were twenty regional plans, each one subject only to some general guidelines set at the national level<sup>5</sup>.

Since the new scenario shaped by Agenda 2000 began to take shape, the regional top management started to consider the Rural Development Plan as the legal instrument enabling the regional government to make important authoritative decisions. In fact, though being an instrument of implementation of the financial measures set in Agenda 2000<sup>6</sup>, the Rural Development Plan left some significant room for manoeuvre to the Lombardy regional government about the specific targets to pursue.

The regional top management gave priority to getting the Rural Development Plan to be approved in a very short time. A team was established and allocated to the preparation of the Rural Development Plan, having the mandate of drafting a proposal "as soon as possible". EU officers were contacted in order to anticipate possible remarks and incorporate them in the proposal (Rural Development Plans proposed by the regional governments had to be validated and approved by the agriculture directorate general of the European Commission), in order to draft a version that could easily be accepted by the European Commission. The proposal was sent to the agriculture directorate general of the European Commission in Brussels on the 2<sup>nd</sup> of January, 2000,

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<sup>5</sup> The attribution to the regions of the responsibility of planning the development of the agriculture sector was one of the outcomes of the national law 143/97. The European Commission, in drafting Agenda 2000, favoured the strengthening of the role of regions in programming and implementing public interventions in agriculture and in so doing it further enforced the provisions of the National Law 143/97.

<sup>6</sup> Overarching declared goals of the Common Agricultural Policy were: increasing the competitiveness of European agricultural businesses, limiting unemployment, ensuring safety of food and safeguard of the environment.

(the first useful date from a procedural point of view) and approved by the European Commission, after EU officers had checked its consistency with the rulings of Agenda 2000-06, on 13<sup>th</sup> of July, 2000. The programme was made operational less than a month after, on August, 3<sup>rd</sup>. On the 1<sup>st</sup> of September of the same year, the first financial transfers to farmers were delivered. The approval of the Rural Development Plan enforced the legal powers of the Lombardy region<sup>7</sup> and gave the regional government a stronger position both in the relations with the other levels of government (central government on the one hand, local authorities on the other hand) and in front of stakeholders like the associations representing agricultural businesses<sup>8</sup>.

## **2.2 Setting to work a system of relations with local governments and reallocating the workforce**

After the regional assembly of Lombardy had enacted the law on devolution in agriculture (Law Number 11 in 1998, or Law 11/98), the contacts between the regional and the local governments intensified. Sandro Cioccarelli, director of the organisational unit responsible of conducting the devolution process, and Alessandro Nebuloni, manager of the *Struttura per i Rapporti con gli Enti Delegati*, hereafter structure for the management of the relations with delegated entities<sup>9</sup> (one of the structures supervised by Cioccarelli), together with their

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<sup>7</sup>Two other juridical tools were the “Norms regulating regional interventions in agriculture” (regional law Number 7 in 2000), that repealed a great deal of specific laws each providing the legal basis for the delivery of financial subsidies concerning some specific measures of the government intervention in agriculture. However, most of funds in agriculture come from the EU level or are regulated at the EU level, thus, the scope of this law and its actual influence on role of the region in the policy field was limited. Another a juridical instrument was the Agricultural Plan, included in the Piano Regionale di Sviluppo, the Regional Development Plan containing the main term-of-office goals of the regional government. It consists of different sections, each relating to a policy domain. The section devoted to agriculture is the Agricultural Plan. Though formally the Rural Development Plan is part of the Agricultural Plan, the latter was substantially “empty” until the Rural Development Plan was approved.

<sup>8</sup> A Rural Development Plan had already been prepared by the region in the previous years, but it was of limited significance and highly constrained: it was basically a document containing operational details about decisions already taken at the EU and state level and there was no real room in it for substantive decisions. The preparation of the Rural Development Plan was basically an act of compliance to the norms by the regional government. On this occasion, the Rural Development Plan provided the legal basis for the region to wield a substantive steering role in the policy field, and the regional top management showed a strong determination in catching this opportunity.

<sup>9</sup> “Delegated entities” are the local authorities to which functions were transferred. It may be noted that legislative provisions distinguished between functions that were entirely under the responsibility of local governments (so-called “transferred” functions) and functions that juridically had been only delegated, ultimate responsibility pertaining to the regional government.

closest collaborators, started a series of meetings with representatives of local authorities. Talks were held on a bilateral basis: Cioccarelli and his collaborators met the political and administrative counterparts of each province on an individual basis. Meetings occurred in Autumn 1998.

Representatives of local authorities manifested their concerns about their new political and administrative responsibility, and the concrete powers that could be wielded. A recurring question was which one - between the regional and the local government - was going to be in charge of managing the relations with farmers' associations; some local representatives asked whether after devolution it was the local government that would have the formal powers to call the periodic meetings with representatives of agricultural businesses, meetings that were at the time convened by the region. Explanations were required especially by officials of provinces led by governing coalitions opposite to the political majority in the regional government. The repartition of the competency between the regional and the local governments was based on a simple criterion: meetings with local level representatives of farmers' associations were to be called by provinces, while the meetings with the regional level of farmers' associations (that had a two-tier structure: regional and local) remained in the sphere of competence of the regional government.

On top of the agenda of the meetings, however, was not so much the specification of powers and tasks, as the resources to perform them. Requests, common to all provinces, included the premises, the financial resources and especially the personnel to execute the new tasks.

There was indeed a difference of attitudes in the local governments delegations between the political and the administrative component. On the side of politicians reactions to devolution were, all in all, positive. Especially commissioners in charge of agriculture affairs envisaged that devolution could remarkably enhance their status. Indeed, in many provinces a commissioner exclusively in charge of agriculture matters did not even exist before devolution. Most commissioners at the local level were appointed after the law on devolution was enacted. The new attributions of the provincial government enabled the newly established commissioners for agriculture to get into a policy field perceived as highly relevant in the political arena. Associations of farmers had traditionally been considered important actors because of their strong grasp on a solid and homogeneous electoral group. Though this was probably true much

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However, the implications of this distinction for the delivery of the agricultural policy were substantially irrelevant.

more in the past than at present, the expectations of significant political benefits ensuing from establishing systematic relations with the main stakeholders in the agriculture policy field emerged as a major factor spurring politicians to commit the provincial government to taking on the devolved tasks.

Public servants, much more than politicians, manifested concerns: the administrative risk involved in managing the delivery of subsidies to farmers was going to be passed to them as an effect of devolution. In a sector like agriculture, the case management of a large number of individual positions for the purpose of authorising the disbursement of conspicuous grants is a core activity. Thus, a consequence for managers in Local Authorities was that they were going to be charged with a significant administrative risk, epitomised by the fact that all of them (forty-one people, the managers of the eleven provinces and the thirty mountain communities of Lombardy) drew up an insurance policy protecting them against administrative errors. Several managers in local authorities repeatedly raised their concerns about the risks inherent in the case management of farmers' applications for subsidies, in their talks with the staff of the structure for the management of the relations with delegated public entities.

In order to better understand some of the fears of the public servants, it is necessary to consider the profound effects of the national reform of the civil service that was enacted in 1993 (Legislative Decree 29/93, see chapter 1). One consequence of the reform was that in the delivery of subsidies (like in any other form of financial aid delivered by a public administration), political organs were impeded to have any formal involvement: all authorisations about individual beneficiaries were issued by managers (previously, it was common practice that the *giunta* - the council of commissioners chaired by the mayor or the president in provincial and regional governments – formally approved the lists of beneficiaries of public funds).

Initially, the wide modifications in the rules concerning the responsibility of managers introduced by the legislative decree 29/93 did not have any significant impact in local authorities with regard to the administration of agricultural affairs. Tasks performed by local authorities before the regional devolution of 1998 were so limited in number and content that operational routines had not been modified in a significant way. But devolution was going to affect this state of affairs: the relevant amount of tasks devolved was going to make agriculture a significant business area in local authorities. In the words of the director of the technical service of the regional funding body, Luciano Fasano, "it was only when we decentralised the tasks about the delivery of subsidies to farmers that provinces



really had to implement the provisions of the legislative decree 29/93 and set into operation a different balance between politics and administration ". One source of fear for public servants was about the possible interferences by politicians in the case management process, which could find a more favourable ground in provinces, where personal contacts between the commissioner for agriculture and individual stakeholders were closer, and also the linkages between politicians and the permanent staff were potentially more direct, due to the smaller dimensions. Such contacts were looser in the regional government, due to the larger staff size, and also due to the territorial deconcentration following up the 1997 organisational revamping.

Later, an external support to public servants in local authorities for performing the new tasks came from the regional government, when it established the regional funding body (the story is narrated in paragraph 2.3). The regional funding body defined the procedures for the delivery of subsidies to agricultural businesses, to which local authorities had to comply, procedures based on the centrality of the tenured official in charge as manager of the agricultural organisational unit, who was recognised as the only responsible for the case management of farmers' applications. Such procedures were common to both the regional and local governments in issuing any kind of authorisation (entitlement to receive a given kind of subsidy, etc.) to farmers, and were supported by an integrated information technology platform; computerisation undoubtedly contributed to "enforcing" compliance to the procedures designed at the regional level.

Besides the issue of the case management of farmers' applications, the overall range of functions devolved made it evident that local authorities had to implement wide structural re-organisations and to effectively integrate personnel coming from the region if they were to execute the new tasks. Indeed, due to the very limited attributions in agriculture matters before the devolution, in many local authorities an organisational unit competent for agriculture did not even exist and was to be established *ex novo*. Even when it pre-existed devolution, agricultural offices had a staff of a very few people, that was to quadruple or quintuple after the allocation to the eleven provinces of the contingent of 260 people from the region.

In their efforts of convincing managers in local authorities to side with the devolution intervention, regional managers strongly committed to show that the regional government was entirely devoted to support the local governments in running the new tasks. Support was provided with continuity, as also the

successors of Nebuloni and Cioccarelli, Vicenzina Lena, that relieved in 2000 from Nebuloni the job of manager of the structure for the management of the relations with delegated public entities, and her general manager, Giorgio Bonalume, who took up in 2001 from Cioccarelli the task of directing the office in charge of dealing with local authorities (while Cioccarelli continued to “supervise” the process in his new stint as deputy director general of the agriculture directorate general), put a strong emphasis on supporting (or, in their words, “accompanying”) local authorities. In the words of Sandro Cioccarelli: “you can’t impose such a change to the staff in Local Authorities: they have to side with us and commit to the implementation of devolution”<sup>10</sup>.

The support of the regional government turned into a range of interventions. The *Tavolo Istituzionale per l’Agricoltura*, or inter-institutional table for agriculture, provided by the regional law on devolution, was established a few months after the enactment of the law and rapidly set to work. It was a venue to ensure that both elected and tenured officials of the regional and the local governments met on a monthly basis to discuss and resolve all major issues emerging in the course of the ongoing devolution process. Its declared purpose was the “steering” of the devolution process and, subsequently, it would become a permanent forum for the joint solution of problems by regional and local staff in the devolved institutional setting. Any formal deliberation (including, as we shall see, the contingent of staff to be transferred to local authorities) was going to be officially discussed during its meetings, also in those cases in which the formal responsibility for the adoption of a ruling on the issue remained entirely in the sphere of competence of an individual public entity (i.e., in most cases the regional government, or directly the director of the agriculture directorate general, in his autonomous powers of deliberation). On many occasions Cioccarelli committed himself publicly during the meetings of the inter-institutional table for agriculture to the establishment of a strong and enduring collaboration with local authorities. His voice was strongly reinforced by the direct presence and public commitment expressed by the regional president. The inter-institutional table, in fact, had a two-tier structure: the “technical” inter-institutional table for agriculture gathered top level civil servants of the agriculture sector of the different institutions and was chaired by Cioccarelli. The “political” inter-institutional table for agriculture gathered elected officials in charge for agriculture. In the first period after its establishment (in 1999) and until the regional elections in 2000, it was chaired directly by the president of Lombardy region, *ad interim* regional commissioner for agriculture. Thus, the chairmanship was undoubtedly strong:

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<sup>10</sup> Interview, 28<sup>th</sup> February 2003.

the coincidence of the two figures of commissioner for agriculture and president of the regional government provided the political tier of this sectoral institutional mechanism (in charge of issues concerning the specific sector of agriculture) with the chairmanship by the top institutional figure as well as the political champion of devolution in the Lombardy political arena. With regard to the technical tier, the leading role performed by Cioccarelli in the previous phase of negotiation further reinforced the chairmanship of the table, and provided continuity to the process.

In the same period, informative meetings with the staff of local authorities were arranged by the structure for the management of the relations with delegated public entities, paving the way for the establishment of informal communication channels operating on a continuous basis between the staff of regional and local authorities (meetings of the inter-institutional table for agriculture were restricted to the top managers). Meetings facilitated the establishment of direct contacts between the regional staff and their counterparts in local authorities.

Soon after the reallocation of staff, Sandro Nebuloni and, subsequently, Vicenzina Lena activated a programme of training for personnel, partly financed with the European Social Fund. The structure for the management of the relations with delegated public entities promoted a number of training courses, on various technical and administrative topics related to administering public services in agriculture. These courses were to be attended *jointly* by regional staff and by the staff of local authorities, including the personnel just reallocated. The joint attendance of the courses facilitated the development of strong informal channels of communication between staff in regional and local governments.

How did the process of reallocation of personnel to local authorities unfold? In order to address the question we have to go back to the autumn 1998, when contacts between regional and local governments were occurring in order to agree the arrangements about devolution. The main request by representatives in local authorities was about being properly endowed with human and financial resources for the execution of the devolved tasks.

The negotiation tactic employed by the structure for the management of the relations with delegated entities was to convene meetings with representatives of local authorities on a bilateral basis, and subsequently draft a proposal for the allocation of resources. The proposal incorporated the most significant claims that emerged during the meetings, while at the same time made reference to some "objective" criteria, relating to the dimensions and other features (type of cultivations, etc.) of the agricultural sector in the territory of competence of each

local authority, criteria that were integrated with small adjustments for adapting to specific issues that had emerged during the bilateral meetings.

The significant amount of resources made available by the regional government for the implementation of devolution, and the “appeal” the powers and attributions given to local governments by the reform could exercise, especially on politicians, contributed to the achievement of a settlement, which nonetheless required some further negotiation rounds after the drafting of the regional proposal. The outcome of the negotiation process was a formal agreement between the region and local authorities.

In parallel, another negotiation was being conducted with the trade unions. In conducting the negotiation, Sandro Cioccarelli, in close contact with Paolo Baccolo, and supported by a few selected collaborators and by staff from the personnel organisational unit (that provided the agriculture directorate general with the juridical and technical expertise for the negotiation with the unions), on the one hand committed in a public way to the point that the transfer to Local Authorities was compelling: on this there was no margin for negotiation. At the same time, he announced that incentives would be delivered to all the personnel that was going to be reallocated, and showed a willingness to discuss all issues raised by the unions concerning wage and ancillary benefits.

Various modifications in labour conditions were discussed. One regarded logistics. Most of personnel to be transferred was already working in the regional territorial offices. In this respect, staff did not have to move far away; on the contrary, in a number of instances they continued to work in the same premises, that were partly allocated to the provincial governments too. However, mobility within the territory of Lombardy became more difficult since, after the allocation to provinces, an employee willing to move would have to change the employer, shifting from the payroll of one local authority to another one, and no more just to ask for an internal transfer from one territorial office to another one of the same regional government; this was not an easy operation under the regulation of labour relations in the Italian public sector.

Though being an issue on the agenda of the negotiation, logistics was not the main topic debated in the talks with the unions. The central question were the pay schemes, that in the regional government were more favourable than the provision of the pay schemes in provinces. To the benefit of the reader, it may be added that in terms of national regulation, regions and local authorities had the same national labour contract; significant differences lied at the level of the individual organisation’s contract (the so called *contratto integrativo aziendale*),

wage and ancillary benefits being in favour of regional staff and managers. To cope with this issue, an automatic promotion for all people transferred had been designed and agreed with the unions. Besides the automatic promotion to the upper assignment level, the personnel also received an *una tantum* grant.

This modality determined some problems in local authorities. The automatic promotion, in fact, contributed to the fears in the personnel already on the payroll of local authorities of being superseded by the “new-comers”. Being wage and assignment level interconnected, it had been necessary to promote transferred personnel to a higher assignment level to give them higher pays. In this way, not only they had a higher wage compared to personnel already employed by Local Authorities, but they were also better qualified and had therefore improved career possibilities. Correspondingly, career opportunities for personnel already employed by Local Authorities were reduced.

Drawing on the agreement with local authorities, on the one hand, and with the unions, on the other hand, the regional government issued a ruling, on the 23<sup>rd</sup> of April, 1999 (ruling Number 42,596), on the reallocation of personnel to local authorities.

The transfer of personnel occurred in a smooth way. There were no hotbed of protest, neither at the level of the individuals directly affected by the transfer, nor by trade unions' representatives. At the end of Summer, 260 former regional staff were in the payroll of the eleven provinces of Lombardy.

The design of the 1998 regional reform provided some tools that further facilitated the progress of the devolution process. The decision powers given to local authorities as regards the regulation of the economic sector were useful means to convince elected officials and, partly, top level civil servants that devolution was not only an increase of the administrative burden, but it entailed also a more qualified role for their government. Elected officials showed their evident appreciation for the prospective of performing a significant role in the agricultural field in the territory of their constituency; civil servants complaints were tempered by the enlarged powers they were going to exercise. Similarly, the attribution of formal powers of convening meetings with the local representatives of farmers' associations helped in smoothing some of the resistances towards devolution.

### 2.3 Reinventing the regional government

The devolution of tasks and personnel to local authorities had major impacts on the regional government. The first evidence of a transformation in the organisational structure of the regional headquarters was the establishment, at the beginning of 1999, of an organisational unit in charge of operating as the secretariat of the inter-institutional table of agriculture. Alessandro Nebuloni was appointed as operating manager of the secretariat, under the supervision of the deputy director general, Sandro Cioccarelli.

The organisation chart of the agriculture directorate general in 2002 had significantly changed. There was a new “agency”, the regional funding body, in charge of the disbursement of payments to farmers. Some organisational units had been deeply transformed, formally and substantively: the *Unità Organizzativa Sviluppo delle Filiere* had responsibility in terms of regulation of the development of the overall agricultural sector, supporting the deliberative processes of the competent organs. The *Unità Organizzativa Programmazione e ricerca per le Filiere Agroindustriali* had incorporated the structure for the management of the relations with delegated entities and performed the broad set of activities concerning the management of the relations with local authorities. Another task of this organisational unit was to promote the study of technical and economic issues related to the development of the primary sector in Lombardy, an activity that was directed to support the performance of the new regulatory tasks.

It was during the course of the reorganisation that the top management more and more frequently evoked the slogan “shifting from direct administration to the governance of the system”, for depicting the nature of the ongoing transformation.

In this respect, the issue of getting information about the execution of devolved tasks was growing in importance. The organisational impact of devolution for people who had remained at the headquarters, and had not been hit by the organisational trauma of being reallocated to another public entity, was plastically represented by the fact that information about what was happening in the execution of tasks that were previously directly supervised by managers had now to be demanded to the forty-one autonomous public entities (the eleven provinces and the thirty mountain communities, though the latter held minor tasks). Since the second half of 1999, the collection of data about the activities run by local authorities became a significant task of the structure for the management of the relations with delegated entities.

Elected politicians shared the concerns of managers, though being less directly affected, and backed a project for establishing a new computerised information system connecting all actors in the policy field. An opportunity came from the enactment of a national ministry of agriculture decree (number 503 in 1999), that provided the legal basis for regional governments to autonomously initiate and develop an inter-institutional computerised information system supporting public services delivery in agriculture, that would collect and elaborate data about the activities executed by local authorities. The new inter-organisational information system came to be considered by Baccolo, Cioccarelli and their collaborators as the instrument to address the growing information needs of the regional management: at first especially about volumes of outputs and financial flows, subsequently the inter-organisational information system would provide a platform for running more sophisticated performance indicators. The establishment of the *Sistema Informativo Agricolo Regionale Lombardo* (SIARL, or agricultural regional information system of Lombardy), as the new computerised inter-organisational information system was named, was approved a few months later by the regional government, that allocated a funding that met the financial requests of the managers. In the same regional ruling of 1999 that allocated the funds for the new computerised information system, it was made explicit that SIARL was to be conceived as the prototype of what the computerised information system of Lombardy should become in all policy fields affected by devolution.

Nebuloni, who had a background in computerised information systems and a strong sensitivity to organisational issues, was appointed manager of the new organisational unit in charge of developing the new inter-institutional computerised information system.

Another "information gap" concerned the type and amount of resources actually employed by Local Authorities for performing the new tasks<sup>11</sup>. The issue was at the heart of the heated discussions engaged with local governments in the negotiations that paved the way to the implementation of devolution to local authorities. Most of the bilateral meetings held in 1998 between the organisational unit headed by Cioccarelli and the councillors and managers in charge of agriculture affairs in local authorities were devoted to the issue of the proper estimation of the resources necessary to local authorities for performing the new tasks. However, the information gap was not perceived as such at that

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<sup>11</sup> The task of investigating these and other issues concerning the development of devolution in the Lombardy region was given by the regional president to a special commission, named *Osservatorio per la Riforma Amministrativa ed il Federalismo* (Observatory for the administrative reform and federalism).

stage, when the regional top management could rely on a direct knowledge of cost structures of the regional territorial offices, that were in effect consulted during the negotiation rounds. It was in 2000 and subsequently<sup>12</sup> that the issue of getting an insight into the cost structures of autonomous and differentiating public entities became more and more important, especially on occasions as the devolution of some further tasks, that occurred in 2000 and 2002. The legislative basis for a further transfer of tasks to local authorities was provided by the enactment of two specific laws, amending the law on decentralisation in agriculture (Number 11 in 1998) and adding the new tasks to the list of functions reported in the 1998 act. On that occasion, the regional staff of the agriculture directorate general had to negotiate about resources with counterparts in local authorities much more conscious of the costs determined by running the new functions<sup>13</sup>.

The same year (2000), the Lombardy regional government acquired further attributions from the central government concerning the administration of subsidies for end-users, a process that eventually led to the establishment of the regional funding body (narrated subsequently). This event increased the formal responsibility by the region in terms of accountability to the central government and to the European Commission about the advancement of the Rural Development Plan and the administration of the Common Agricultural Policy

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<sup>12</sup> An event related to the story of devolution in agriculture is the working of the committee for the monitoring of devolution. The committee was established on occasion of a plenary meeting, in 2001, on the topic of decentralisation between the regional government (the president of Lombardy region and all the commissioners) and the presidents of all the eleven provinces of Lombardy. Agreements were reached about starting the devolution of tasks and resources in the fields of: energy, environment, water service, training for job, road network. On that occasion, the committee was established. It was a two-tier organ with the mandate of increasing co-ordination between the regional government and local governments. The technical tier was staffed with people from the presidency, selected directorates general that had been engaged in decentralisation efforts, close collaborators of the presidents of the provinces and of their economic and financial departments. The technical tier was in charge of analysing the problems that arose in the devolution in the fields of agriculture and the job centres (the competences on the latter were transferred directly from the central state to local authorities), and whether the transfer of resources from the Regional Government had been satisfactory. The committee worked over the period September-December 2001. It produced a methodology for monitoring the resources employed by local governments for executing the new tasks, plus a set of recommendations about how to deal with potential difficulties that could arise in relation to the decentralisation of tasks in the other programmatic fields mentioned. It also produced a more conceptual paper about guiding criteria the regional government could employ for assessing whether a function should be exercised at the regional level, or decentralised to local authorities, as well as for assessing the costs for running some of the functions that the national government was at least in principle oriented to devolve to regions.

<sup>13</sup> During the bilateral agreements with local authorities in 1998, it was agreed that a negotiation about resources needed for the execution of the devolved tasks was formally kept open, in response to the evidence about the actual "costs" of the execution of devolved tasks. This type of arrangement enhanced the significance of getting information about other entities' performances. Such formal arrangement can be contrasted with other approaches, like the one adopted by the regional government of Tuscany, that put emphasis on the "one-shot" nature of the negotiation with local authorities about the resources for executing the devolved tasks.



provisions at the regional level, especially in terms of monitoring the financial flows. This fact further pushed the rapid development of the Lombardy Region Agricultural Information System (the SIARL).

Major organisational transformations did not occur only at the headquarters in Milan: regional territorial offices were deeply affected by devolution. The human resources to execute the devolved tasks were provided to local authorities mainly by transferring most of the staff of the regional territorial offices to the list of local governments employees.

Regional territorial offices did not operate only in the agriculture sector: in principle, all directorates could rely on them for specific issues to be dealt with; but only some directorates had part of their personnel located in these peripheral offices, usually for performing the front office in the delivery of services. The organisational links between the agriculture directorate general and the regional territorial offices were especially intense because most of staff in them worked on agricultural affairs, and the personnel was functionally dependent on the agriculture directorate general.

The allocation to local authorities of the personnel in charge of executing administrative tasks in agriculture radically transformed these offices. After the downsizing, in fact, the regional territorial offices remained with a small portion of the initial staff and a very limited set of tasks to execute.

The new mandate of regional territorial offices was redefined along the lines of having a “sensor” of the region on the territory: a small organisational unit, but strongly interconnected with the region’s stakeholders in the territory. In the new organisational design, the responsible of a regional territorial office had the explicit mandate of being an “antenna” of the region in the locality as well as promoting local “tables”, that is venues for public and private actors to meet and decide about specific issues in policy domains in which the regional government had significant attributions

Another major event in the devolution from the central government to regions was the transfer of the function of disbursing the CAP subsidies to agricultural businesses, an event that had a major organisational impact on the regional government. In fact, in October 2000 a decree of the national ministry for the agricultural and forest policies enabled the regional governments to relieve from AGEA (the national funding body for agriculture) important tasks in the

management of financial resources. The provisions of the decree, unlike many others in Italy, were not compulsory: regions could make themselves responsible of the tasks currently performed by AGEA, but they were not compelled to do so.

For the top management of Lombardy Region it was the opportunity longed for since 1997, when the national law on devolution in agriculture (143/97) formally attributed to the regions the competencies in the delivery of financial subsidies to agricultural businesses. In order to become enforceable, in Italy primary legislation (enacted laws) has to be integrated by secondary legislation, i.e. ministerial decrees containing the detailed regulation of the topic. After the issuing of the decree, the legal framework enabled the regional government to perform the function. In order to actually acquire from the national level the attributions concerning the delivery of the subsidies of the Common Agricultural Policy, the regional government established, at the end of 2000, a new entity named *Organismo Pagatore Regionale* (regional funding body); the regional funding body was in charge of receiving from AGEA most of the tasks in the execution of payments to end-users. In December 2000, an agreement between the Lombardy region and AGEA was signed.

The strategic significance for the regional government of this intervention was made explicit by Cioccarelli in an interview<sup>14</sup>:

“before the establishment of the regional funding body, notwithstanding the new regulatory powers, the region was the “operating arm on the territory” of AGEA in the management of the financial resources of CAP; after the establishment of the regional funding body, this entity became the operating arm of the regional government, while AGEA remained the interface with the central government (with an important responsibility in front of the EU), but the leading role on the territory is now performed by the regional government”.

The relevance of establishing a funding body at the regional level is (always in the words of Cioccarelli)

“highlighted by the highly differentiated behaviour of Italian regions: only five other regions in Italy<sup>15</sup> have followed the same path and made themselves responsible for the management of financial resources within the framework of the Common Agricultural Policy. Look also at the differences in the models that have been employed: some regions have opted for an agency model, by establishing an autonomous agency in charge of delivering money to the farmers; one Region is studying the option of contracting out the tasks to an external entity; in one case no decision about the organisational model has been made yet. Such variations mean

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<sup>14</sup> February 2003.

<sup>15</sup> Out of 20; the Regions are Basilicata, the only one to be located in the South of Italy, Emily, Tuscany, Piedmont and Veneto (all located in the Centre-North of Italy).

that it is not a kind of reform that simply requires regions to comply to pre-defined rules and tasks: only those regions that were really determined to design for themselves a new role in agriculture caught the ministerial decree of October 2000 as an opportunity and 'invented' their own way of performing such new competence".

How did the process that led to the definition of the organisational model for the new entity develop? A top level inter-sector team was appointed by the regional government at the end of 2000: the team included the secretary general of the region, the director general and the deputy director general of the agriculture directorate general, the directors of the general affairs and personnel directorate general and the budget directorate general, and members from a consultancy. The team had the mandate of specifying the possible alternatives with regard to the organisational solution for the management of the new tasks. Team members identified three available alternatives: contracting out the service to an external provider, establishing an independent "agency" (a sort of autonomous authority), establishing a public entity as the operating arm of the region (a funding body). The first model was at the time under consideration by the Piedmont region, bordering on the west side of Lombardy. Contracting out was a spreading solution in Italy since the first half of the previous decade; though not applied specifically to this kind of issues, many reform initiatives prompted the adoption of this model, that was becoming quite fashionable in those years. However, this option was quite immediately rejected because of a manifest incompatibility with a priority of the regional government: keeping a direct contact between the region and end-users, especially after the devolution of the case management of farmers' applications to local authorities.

The second option lay in adopting another fashionable solution in Italy those years, i.e. establishing an *agenzia autonoma* (autonomous agency<sup>16</sup>), similarly to what were doing some of the other regions in Italy that were relieving from AGEA the administration of financial resources. Arguments raised by team members against the adoption of this kind of solution included one procedural aspect and some substantive issues. The procedural aspect lay in the fact that, in order for the region to establish an agency, it was necessary to address the regional parliament and wait for it to enact a regional law on the topic. This procedure required a longer time for the approval. Furthermore, it was not in line with the

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<sup>16</sup> Literal translation into English of the Italian *Agenzia* may be misleading (at least in this context): this model refers to a sort of authority, autonomous from the region; it was not intended as the operating arm of a core "department", as the term (executive) agency is most commonly used, at least in the "post-Next Steps reform" United Kingdom (for an overview of the phenomenon of agencies in OECD countries and an analysis of some definitions of "agency", see e.g. Pollitt, Talbot et al., 2005).

style of governing by secondary legislation, which characterised many regional governments in Italy in that period<sup>17</sup>, and addressing the regional parliament only for highly political, broad-scope authoritative decisions. The second argument was based on economical considerations: estimated costs of an autonomous agency were significantly superior to those met in the case of establishing a body “internal” to the region, though with some operational autonomy. Since the overall devolution process was coming to be considered by elected politicians as an ideologically desirable enterprise but, all in all, also a very expensive one, cheap solutions were welcome.

The rejection of both alternatives left only one available solution: the establishment of an operating arm functionally dependent on the agriculture directorate general, but with operational autonomy and a global responsibility for the management of funds. The purpose was to achieve a high degree of organisational specialisation by establishing an entity with separate specific tasks, while keeping some form of organisational integration with the remainder of the agriculture directorate general. The key advantage of this solution was its consistency with the mission assigned to the regional funding body, as illustrated by Cioccarelli:

“the Region has not taken over the tasks about CAP funds from AGEA only to pass them to an autonomous authority: we don’t want to separate the function of regulating from the function of delivering funds”.

The comparison with other cases was a crucial source of learning for the team working on this issue. The comparison with the other Italian regions engaging in the decentralisation of tasks from AGEA provided the Lombardy region with a term of reference about the agency model. Once the agency model was rejected and an orientation in the sense of a specialised funding body was achieved, an important source of vicarious learning came from abroad. It was the European Commission that provided Lombardy region with a list of “regions” (or equivalent institutions) in countries throughout Europe that had adopted a similar model. Most of the names in the list were those of German *Länder*. However, the Lombardy region had another opportunity for getting in close touch with foreign experiences. Since 1988, four regional governments in Europe promoted an association named “The Four Engines of Europe”, including the German Land of Baden Wurttemberg, the French Region of Rhône Alpes and the Spanish Autonomous Province of Catalonia. The name of the association recalled the

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<sup>17</sup> The story occurred in the aftermath of the enactment of the 1999 law that changed the electoral rules at the regional level and introduced the direct election of the Regional President. President’s powers were strongly enhanced.

performances of the economy of these regions, which (at least in 1988) had the highest rate of increase of the regional Gross Domestic Product among the European Regions. As time went by, the network among these four regions consolidated and the exchange of experiences among administrators grew in importance<sup>18</sup>. Both Catalonia and Baden Wurttemberg were in the list provided by the European Commission. Linguistic affinity and the enthusiasm elicited by the high degree of autonomy achieved by Catalonia in Spain, a country that, like Italy, was engaging in a significant politico-administrative devolution process, made the team members incline to this model.

Vicarious learning from the Catalonia model proved especially significant for the design of the details of the model and for the implementation; however, as we have seen, it was not decisive in the selection of what model to adopt: such decision was taken before engaging in the study of the Catalonia model.

The regional funding body was formally established in July, 2001. In November of the same year the ministry of agricultural and forest policies authorised the new body. In January 2002, the European commission carried out the auditing of the new body, whose outcome was the formal approval of the procedures employed by the regional funding body for the assignment and delivery of subsidies to farmers (procedures had to be compatible with EU standards and a formal approval by the European Commission was a prerequisite). Subsequently, in March 2002, agreements were reached with each local authority. After the completion of this indispensable and final step, in April 2002 the first payments were delivered.

Setting to work the regional funding body was not an easy job. As for the devolution to local authorities, staffing the new entity proved to be a demanding task. With respect to the experience of the transfer of personnel to the local governments, however, both the context and the actual devices employed were different. Logistical and contractual aspects did not show the same complexity. With regard to logistics, the regional funding body was established in the same building where the headquarters was. As to labour relations, staff of the regional funding body remained in the payroll of the regional government and had the same labour contract of regional staff.

The approach to the staffing of the new body was the opposite: the transfer to the regional funding body was on a voluntary basis, not a compulsory one. And recruitment of personnel proved difficult: a first internal bid failed because of the insufficient number of applications. A recurring explanation provided by the

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<sup>18</sup> See Ongaro and Valotti (2002, chap. 5).

regional managers was that the prospect of performing operational tasks was not particularly appealing, especially in a period when the region was casting for itself a regulatory role. A powerful opportunity to solve this problem came from a concurrent story: the revamping of the regional executive agencies. The agriculture directorate general had five executive agencies performing some operational tasks.

As such, the overhaul of the agencies performing operational tasks in the field of agriculture represented simply the catching up with an overlooked issue. The Lombardy regional government was a latecomer: most regions had already reorganised their agricultural agencies. Outdated managerial models and a plethora of redundant executive bodies and overseers characterised the system of agricultural agencies in many Italian regions since the beginning of the '90s. Vested interests determined strong resistances towards changing this system.

In 2001, a team led by Cioccarelli and consisting of staff from the agriculture directorate general was appointed in order to design the overhaul of regional executive agencies in agriculture. In its initial mandate, the purpose of the team was to design the reorganisation of each individual agency, without any integration of them.

In designing the revamping of executive agencies, the team adopted as guidelines the two ideas that "the region must have one single interlocutor" and that the labour division between the region and the new executive agency assigns all operational tasks to the agency, while the planning of the activities is competence of the region. The *Piano della Attività* (plan of activities), a sort of "contractual" arrangement from an organisational point of view, connected the regional government and its agency; in the plan of activities, the regional government negotiated and determined all the tasks to be carried out by the executive agency in the budget year.

Though harsh debates occurred during the meetings that led to the enactment by the regional Parliament of the law establishing the new executive agency, the two basic principles were maintained and the regional law 3/02 eventually established the new agricultural executive agency. In the design of the transition phase from five to one single agency, incumbent presidents were confirmed as *Commissario Straordinario* (i.e., temporary director with all the powers of the board) of their own agencies. After the merger (technically, a merger without winding-up), all presidents entered the new board of the single agency.

On 1<sup>st</sup> July 2002 the new executive agency started up. By the end of 2002, the plan of activities for the year 2003 was prepared by regional officers.

The organisation chart of the new agency was drafted by the team, supported by external experts. The revamping of the five executive agencies and their merger determined a surplus of workforce, that was eventually employed for staffing the Regional Funding Body. Paolo Baccolo, that was also director of the regional funding body, and Adriana Assegnati, the deputy director, after the failure of a first internal bid for vacant positions, exploited the revamping of executive agencies as an opportunity for staffing the regional funding body.

The decree of the national ministry for agricultural and forest policies issued in October 2000 and concerning the devolution to regional governments of the function of administering the disbursement of funds to farmers had another important consequence: the establishment by the regional government of a formal accreditation procedure for the *Centri di Assistenza Agricola*, or Centres for Agricultural Assistance (CAA). Agricultural businesses could resort to the CAA for assistance in the preparation of the application for CAP subsidies. At the same time, the CAA was in charge of performing part of the preliminary investigation phase of farmers' applications, on behalf of the local government's offices. Final responsibility as regards authorisation or denial remained under the responsibility of the regional manager.

Promoted by agricultural businesses' associations, though formally distinct and with the statute of Limited Responsibility Companies, the CAA were contracted important tasks in service delivery. Indeed, the further devolution of some minor tasks, that occurred in 2002, was for the most part a transfer from the regional government to the Centres for Agricultural Assistance.

The issue of contracting out administrative activities to farmers' associations was on the governmental agenda since the very beginning of the devolution intervention. An attempt of establishing forms of contracting out of the preliminary investigation phase of the case management of farmers' applications for subsidies was tried in 1999, when a proposal, drafted by the collaborators of Cioccarelli, was submitted to the secretariat general. Legal advice given on that occasion was negative, basically because without a national-level decree such procedures were not legally viable, and the proposal was halted. After the issuing of the decree, the proposal was picked off the drawer and submitted to the regional government collegial executive body. Backed by both the commissioner for agriculture and the secretary general of the Lombardy region, it was eventually approved.

Commissioners for agriculture as well as top managers showed a commitment to the systematic engagement of the associations of agricultural businesses since the very beginning of the devolution story. In 1998, in fact, the *Tavolo Agricolo*, or agricultural table, was established as the venue for engaging top managers in associations in a formal consultation procedure, activated whenever an important legislative bill was under discussion. Its meetings, however, were relatively limited in number. It met on the occasions of the discussion of bills, like the Rural Development Plan, the law 7/00 ("Norms regulating regional interventions in agriculture"), or the Agricultural Plan. On other occasions, external events like the BSE ("Mad cow disease"), urging a rapid and co-ordinated public-private intervention, led to convene a meeting of the agricultural table. But, all in all, it was the CAA story that proved especially significant for the unfolding of devolution, as argued in the next chapter, in which we move from the illustration to the explanation of the episode of devolution in Lombardy.



## 3. Explaining case outcomes

### 3.1 Introduction

In the previous chapter, the transformations that occurred in the Lombardy region have been illustrated. How can the evidence be interpreted? Three points emerge as theoretically significant in the episode (for reasons that have been partly anticipated in paragraph 1.6 and are discussed in greater detail in the chapter): the entrepreneurial behaviour of regional top managers in the process of institutional change and the consistency over time of the decisions they made; the scale of realignment of the workforce from the region to local governments; the substantive difference of the new organisational arrangements from the previous ones. Questions have been formulated (chapter 1) as follows:

- 1) What explains the actual behaviour of regional top managers in the agriculture directorate general and the way they led the intervention of adaptation to devolution to determine the outcomes observed?
- 2) What explains the scale of re-alignment of the workforce from the region to local governments?
- 3) What explains the significant degree of difference from the previous organisational arrangements?

They are subsequently discussed.

### 3.2 Explaining the behaviour of regional top managers

The first of the three main questions is addressed to explaining the behaviour of regional top managers in the agriculture directorate general of Lombardy region and the consistency of the decisions that were made by them during the implementation episode, decisions that, it is reminded, for a significant part were not prescribed by the legislative act on devolution.

In order to set the problem, we can start from discussing what kind of behaviour could be expected of elected and tenured officials in governmental systems characterised by a strong *administrative law tradition* shaping the culture of governance, as is the case of Italy. A useful contribution for setting the problem comes from the analysis proposed by Capano (2003) about the implementation of administrative reforms in Italy. Drawing on studies adopting an approach grounded in historical institutionalism for explaining the variety across countries

of the outcomes of implementing public sector reforms (Pollitt and Summa, 1997; Pollitt and Bouckaert, 2000 and 2004<sup>1</sup>), studies that put a strong emphasis on the essential importance of the cultural variable in understanding why administrative reforms radically vary in nature (Brunsson and Olsen, 1993, Premfors, 1998), Capano interprets the trajectory of administrative reforms in Italy occurring in the '90s as affected in a decisive way by the persistency of the hegemonic "administrative law paradigm".

The administrative paradigm is constituted (in terms of fundamental values: the "hard core" of the paradigm, see pp. 783 and 786) around the institutionalisation of the administrative law ("juridification") as a way of "being" and "acting" in public administration: "The centuries-old values inherent in the administrative paradigm are as follows: 1) the role of law as an inevitable expression of administrative action, 2) the prescriptive identification of the functions of the decisional process (general decisions, aims, implementation and control), 3) the separation of political decision-making from the administrative implementation of such decisions, 4) the principles of impartiality and neutrality, 5) the principle of legality as an essential instrument needed to achieve the objectives of administrative law, 6) an emphasis on the overall coherence of the system (that is, of the legal system)". As regards the historically established cognitive component of the paradigm, i.e. the series of cause-and-effect relationships by means of which participants formulate their general strategy of intervention and choose individual public policy instruments, the general approach to the formulation and implementation of a policy is characterised by: 1) the dominance of the specialised field of administrative law (that provides the basic skills and the pre-requisites for action), 2) a deductive, hierarchical-consequential relationship between input (regulation) and output (administrative action), 3) an emphasis on the importance of formal rules as the inevitable choice of instrument in administrative action, 4) the considerable importance given to formal organisational structure, compared to the little attention paid to policy delivery and the management of the change process implied by policy delivery, 5) the control of legitimacy (where the word "control" refers to a kind of "control of compliance to the law"; this meaning is especially evident in the Italian word *controllo* as used by public officials, who are used to employing English terms like "monitoring" when they want to distinguish more "managerial" forms of control).

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<sup>1</sup> This kind of analysis is, broadly speaking, consistent with a comparative research agenda carried on by a number of scholars in the fields of Political Science, Public Administration and Public Management about the influence of national traditions of governance on public sector reforms (see also Bevir, Rhodes, Weller, 2003a, and all the contributions in the special issue of *Public Administration*, Vol. 81, N. 1, 2003). A key underlying assumption in this stream of research is that ideas – the culture of governance – really do matter in explaining policy-making processes.

The trajectory of administrative reforms in Italy occurring in the '90s has been interpreted as affected in a decisive way by the persistent hegemony of the administrative law paradigm, a cultural paradigm that has proved a considerable capacity for survival, due to the cohesion and manipulative ability of the administrative policy community, and also the absence of any alternative paradigm really capable of challenging it.

Other authors argue that, since the beginning of the '90s, the administrative paradigm has indeed found challengers and it has become "dominant", but no more hegemonic, since it has been challenged by a rival paradigm. In the Italian academic debate on the topic (dating back to the '70s and the '80s, see Borgonovi, 1984) there is a significant stream of literature providing a critical review of the implications of this paradigm, in the light of an alternative, managerial paradigm, whose influence seems to have significantly expanded during the '90s (Del Vecchio, 2002, Pezzani, 2003, Valotti, 2000). It should be made clear that the discussion about the dominance of the administrative law paradigm is about its influence on the process of change in implementing administrative reforms in legalistic countries. It is not about the function *per se* of administrative law in different models of state, as when, for example, Pollitt and Bouckaert (2004, pp. 99-100) argue that in some continental European countries public elites have pursued a distinctive reform model (to be contrasted with the reform model pursued by "NPM-inspired" elites in Anglo-Saxon countries), of which an important component is the reaffirmation of the role of administrative law (suitably modernised) in preserving principles like equality before the law, legal security, and the availability of specialised legal scrutiny of state action<sup>2</sup>; the authors refer to this distinctive model as the *Neo-Weberian State*. For the purposes of the present work, the point is that there is wide consensus in the Italian scientific literature as well as in the international one about the persistence of the overarching influence of the administrative paradigm, be it hegemonic or dominant, on the functioning of the Italian governmental system.

*Expected behaviour of public officials in the Lombardy case consistent with the administrative law paradigm.* What kind of behaviour could be expected of public officials in the light of the persistent influence of the legalistic paradigm? Given its basic features – like, in particular, the role of law as an inevitable expression of administrative action, the importance attributed to the formal

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<sup>2</sup> In other words, it is concerning the *process of change* that the persistent dominance of the administrative law as a cultural paradigm, coupled with some features of the politico-administrative system, make formal compliance to the norms and a resulting substantive hollowing out of the substantive contents of the reform itself a concrete possibility – an always possible "fate" of administrative reforms in Italy.

organisational structure compared to the little attention to policy delivery, and the emphasis on the overall coherence of the legal system – and given that in the specific context of the case studied there was no legal mandate at the national level for performing programmatic activities like “providing advice and services to the local governments”, or “providing conditions for the engagement of stakeholders in policy formulation and delivery”, a more likely behaviour by regional managers was retreating to the new tasks devolved from the central government to regions, rather than engaging in performing not prescribed programmatic activities like those that could be observed.

Moreover, given such features of the approach to the implementation of a policy - like in particular: a) the hierarchical-consequential relationship between regulation (that comes first) and administrative action (that follows consequently), and b) the emphasis on formal rules as the inevitable choice of instrument in administrative action – a very limited degree of improvisation in leading the intervention could be expected of the regional management, and outcomes of the devolution process like the support provided to local authorities (outcome 4) and the significant engagement of stakeholders (outcome 5) could be hardly explained by such a legalistic behaviour. Improvisation (the reference is to Weick, 2001, pp. 57-91 and 284-304) is interpreted mainly in the sense of “ingenious adaptation” as in the contribution of Baez and Abolafia (2002) on bureaucratic entrepreneurship: “using creativity, intuition and flexibility to fundamentally change a relatively structured situation”; a simplistic but direct, commonsensical understanding of improvisation in this context is “behaving in such a way to go well beyond strict compliance to the legal mandate and finding new solutions for adapting the organisational arrangements of the Lombardy region to the devolved institutional setting”.

*Explaining the course of action that top managers in the agriculture directorate general undertook.* The question thus becomes: what explains the *actual* behaviour of regional top managers in the agriculture directorate general? In fact, what was observed in the Lombardy case in agriculture is not consistent with the predictions about the Italian trajectory of reform ensuing from the dominance of the administrative law paradigm.

A different, more complex identity of key top managers in the agriculture directorate general in the regional government of Lombardy over the period 1998-2002 could be observed: people with a significant entrepreneurial approach, a strong orientation to exploiting opportunities in order to “create public

value" (Moore, 1995); all in all, persons very different from people observed in other instances of devolution.

How were they sorted out? Traditionally a field where public sector intervention is significant and political sensitivity high (paragraph 1.5), agriculture was the first policy field in which a law on devolution had been enacted at the national level, soon followed (over the period 1997-98) by a number of secondary legislation acts about devolution in other sectors. We remind the reader that the issue of devolution was at the time very high on the governmental agenda of both the central and the regional governments throughout Italy and there was ongoing tough political competition between the central government and the Lombardy regional government (run by a coalition opposite to the ruling one at the national level). In this frame, agriculture was to be the "shop-window" of how the regional government of Lombardy was making the devolution agenda progress in a substantial way. Moreover, the Lombardy regional government, almost independently of the political orientation of the incumbent ruling party coalition, was traditionally used to aspiring at proposing itself, in times of change, as an "administrative model" to be followed by the other regions in Italy.

Another influential previous event is the major intervention of reorganisation that was carried through in 1997 (and started the previous year, following up the 1995 elections and the settlement of a new government). As we have seen in the previous chapter, a divisional organisational structure was introduced, in which each division - the directorate general - had a substantial degree of autonomy. A formal system of definition of the targets to be pursued and their internal hierarchy joined with a form of "responsibility budgeting" was introduced, a management system whereby substantial decisional authority is decentralised to agents within the frame of well specified rules determining how agents will be rewarded for their efforts. Formal evaluation procedures were established and a performance-related pay system was introduced (monetary incentives, the flexible part of the salary, became a substantial part of the wage for middle to top managers). A new internal regulation was adopted that strongly enhanced flexibility in the appointment or removal of civil servants by elected officials.

Major internal transfers occurred, especially during and in the aftermath of the 1997 reorganisation. In the agriculture directorate general, before or during the period of observation (spanning from 1998 to 2002), there was a complete turnover in the six top positions (the director general and the directors of the five Organisational Units in the directorate), and in 2002 fourteen out of the twenty persons with managerial responsibilities were new to the stint. Especially in the key positions – for the devolution process to occur – of the director general

(Paolo Baccolo) and of the responsible of the structure for the management of the relations with delegated entities (Sandro Cioccarelli, and later Giorgio Bonalume) were appointed people with reputation, skills and an orientation to interpret in an “entrepreneurial” way their role. Previous identities of the people appointed provide part of the explanation of the actual behaviour of regional top managers. However, in seeking an explanation of the course of action that the top managers in the agriculture directorate general undertook by analysing it in terms of a logic of appropriateness, we also need to understand how they perceived (construed) the situation and interpreted their role<sup>3</sup>.

In the agriculture directorate general in that period there were some presumptions attached to the role of director general and of manager of the organisational unit in charge of implementing the law on devolution in agriculture about how their role-occupants should act. With devolution very high on the governmental agenda and normative acts having been enacted, in agriculture, both at the national and at the regional level – whilst in most other policy fields, in 1998, regional legislation about devolution was still to come – people in charge in the agriculture directorate general should take care that the devolution act be rapidly and thoroughly implemented; for these people, implementing devolution was indeed the *raison d'être* of their appointment. Moreover, also given the dynamism of the national government in promoting important reforms in substantive areas of public management (that were putting a strong emphasis on the improvement of the three “es”: efficiency, effectiveness and economy, and on reduction of “red tape”, see paragraph 1.5), people in charge of implementing one of the first major reforms promoted by the regional government of Lombardy should take care that the reform be implemented in such ways that the societal forces (agricultural businesses and their representative associations) were actually satisfied about the new state of affairs. This interpretation of the situation entailed for role-occupants in key positions for implementing devolution in agriculture to put a strong emphasis on the “good functioning” of the devolved institutional setting.

The reader could find a bit puzzling the employment of the logic of appropriateness for explaining change, rather than stability – but besides any theoretical argumentation about the logic of appropriateness being a framework for explaining decisions in general (March, 1999, chap 2, and 1988), it should be reminded that since the biennium 1991 (the year of the referendum that struck down multiple preference voting) to 1992 (the start of the campaign against

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<sup>3</sup> In fact: “understanding the sense-making strategies or organisational actors is key to understanding their entrepreneurial behaviour” (Baez and Bolafia, 2002).

corruption – so-called clean hands inquiry, and the emergency measures introduced by the Amato government for preventing a state financial crisis) and for the entire period of observation Italy has been a case of intense political and policy-level change, in which “the explanatory problem of the Italian political system has been transformed, from inertia to change” (Radaelli, 2004). In this context, in many circumstances “implementing change” more than “maintaining” might be interpreted as an appropriate behaviour. Having said that, we agree that explanations based on previous identities may be partial or insufficient. The mechanism of the logic of appropriateness seems to have worked in concatenation with the *mechanism of actor certification*. Certification (McAdam et al., 2001, p. 145) refers to the validation of actors, their performance and their claims by external authorities<sup>4</sup>. In the case, presumptions about the behaviour of role-occupants in the agriculture directorate general were reinforced by the explicit recognition by the regional president and commissioner for agriculture (it should be reminded that the regional president, Roberto Formigoni, was between 1999 and 2000 also directly in charge as *ad interim* regional commissioner for agriculture) and other key elected and appointed top officials. Regional managers interpreted their situation as one of both pressure and permission to improvise in the management of the intervention.

This general mechanism was strengthened by the existence and actual utilisation of evaluation procedures and the increased flexibility: Cioccarelli was subsequently appointed deputy director general of the agriculture directorate<sup>5</sup> and Sandro Nebuloni was appointed manager of the organisational unit in charge of developing an inter-institutional computerised information system<sup>6</sup>.

The concatenation of mechanisms provides an explanation about why top managers in the agriculture directorate general – all new to the stint – adopted a course of action conducive to undertaking a major intervention of organisational reinvention in the course of the implementation of the devolution act.

This explanation may be contrasted, on the one hand, with the expected behaviour according to the literature on the legalistic, administrative law paradigm dominating in Italy. At another level of analysis, the explanation provided acquires

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<sup>4</sup> McAdam et al. (2001) employ diffusely the mechanism of actor certification in explaining the dynamics of contentious politics.

<sup>5</sup> And later, in 2005, he became the director general, while Paolo Baccolo was appointed director general of the industry directorate.

<sup>6</sup> In this respect, the organisational design, and specifically the routines for the evaluation of the performances of managers, contributed to determining the distribution of resources, and not only the vice versa (following the line of analysis proposed by Weick, 2001, pp. 65-66 and aiming at replacing the architectural metaphor for organisational design, with the metaphor of organisational design as improvisational theatre). More broadly, the conception of organisational routines as a source of change (Feldman and Pentland, 2003) is an important part of the explanation proposed in the present contribution.

interest in the light of some of the predictions at which (in our interpretation) the bureau-shaping model proposed by Dunleavy points with regard to phenomena of devolution. According to a bureau-shaping perspective, in fact, if an exercise of devolution is on the governmental agenda and a window of opportunity for a major reallocation of tasks is opened, expected priorities of senior managers are the delegation of routine tasks (like the delivery of services of technical assistance to farmers, the execution of controls of compliance, etc.) to other organisations in order to be able to concentrate on high-status tasks, like the provision of advice to elected officials, "policy analysis" and the management of "diplomatic" relations with other bodies, and to focus on increasing the prestige of their organisation, as well as on operating whenever possible with small, collegial work units, and possibly with congenial people in them (Dunleavy, 1991, pp. 200-205 in particular).

This perspective on the one hand provides a powerful explanation of part of the behaviour of regional top managers: a focus on the provision of advice to elected officials, an organisation of labour based on small teams (small groups were among the characteristics of the Lombardy region after devolution) are all evidences consistent with the bureau-shaping perspective. On the other hand, however, it does not seem to provide an entirely satisfactory explanation of outcomes such as the establishment of a function of delivery of support services to local authorities. Nor it explains (and indeed the bureau-shaping model does not intend to do so) the efficacy of the flow of decisions that were made and eventually led to the previously identified set of outcomes.

We can summarise findings so far as follows: political competition, that in the Lombardy case made devolution in agriculture become a shop-window of the regional government, coupled with the majoritarian conventions of governance (introduced in Italy only a few years before) that favoured the stability and cohesion of the dominant coalition in the Regional Government, and with the existence of a human resource management system that increased flexibility and provided incentives to performance-oriented behaviours, enabled a selection process that led to appointing public managers with an entrepreneurial approach. This process, concatenated also with a mechanism of actor certification, reinforced the adoption of a course of action conducive to the effective implementation of devolution (where "effective implementation" is shorthand for "implementation in such ways to meet the functional requirements of devolution and, in the specific case, produce the outcomes previously identified"). These findings may explain outcomes that are unexpected in a legalistic country in



which the culture of governance tends to induce resistance, or at least “resilience”, to consistent and durable improvisation-based, entrepreneurial approaches to the management of interventions of devolution.

To conclude this first section, we should note that the appointment of people with an entrepreneurial orientation is an important qualification of the situation investigated that it is worth characterising and is part of the explanation of the case outcome – as it is the concatenation of mechanisms that may reinforce the adoption of a flow of consistent decisions during the unfolding of the devolution process. However, the fact a pool of people with reputation, skills and an orientation to go beyond the legal mandate and run certain risks in implementing devolution was formed, spurred (and permitted) to improvise and adopt a certain course of action does not by itself explain the efficacy of the decisions that were made. This task is undertaken in the remainder of the chapter. In the following section, the successful realignment of the workforce across jurisdictions is analysed.

### **3.3 Explaining the scale of realignment of the workforce across jurisdictions**

In the previous chapter, an illustration of what happened in the reallocation of personnel has been reported. Realignment proved to be a smooth, unchallenged process that unfolded over a short period of time. In order to explain this case outcome, we can at first employ a rational choice approach and try to explain the change process in terms of decisions and behaviours by individuals maximising their utility<sup>7</sup>.

In a very simplistic way, we can at first interpret the story we have observed as follows. The personnel of Lombardy region involved in the transfer to local governments, in order to choose whether to accept or resist change had to assess the monetary and other rewards offered for accepting the transfer (i.e.: an automatic promotion to a higher assignment level, plus a *una tantum* grant), against the long-term “costs” entailed by their transfer. These costs can be summarised in less career opportunities, a less favourable labour contract, and a

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<sup>7</sup> This starting point is consistent with Boudon’s (1991) discussion of Katz and Lazarsfeld’s Two-Step Flow model as a way of replacing a mechanical model of resistance to change with one modelling resistance to change as a strategic choice by actors; according to the model, once faced with the new scenario, actors start screening the scenario by looking at cheap, reliable sources of information. Assuming, on the basis of the interviews conducted, that enough information was available to the regional staff (e.g. due to their links with the staff in provincial Governments they were in close touch with) for achieving an acceptable knowledge of the future consequences of being transferred, they could calculate benefits and costs in, roughly, the way illustrated.

loss of status and prestige associated with working for lower levels of government.

In calculating benefits and costs, in fact, three factors should be taken into account; factors that are contingent to the situation, but far from being unique. First, provinces were at the time curtailing their top level positions, and the chances of improving, or at least maintaining, the expected career path after being transferred to provinces were very limited. The two higher-level categories were formally those of “manager” and “cadre”. On average, agriculture sectors in provinces had one manager and two to three cadres, compared to an average staff ranging from fifteen to about fifty people. Against this ratio of top level positions compared to the total staff number, achieving the top positions was undoubtedly difficult. Second, the labour contract in local governments was much less favourable than the regional one, in terms of accessory benefits and other aspects. Though the national labour contract for regional and local government is the same, in fact, important differences could derive from the so-called *contratto integrativo aziendale*, the contract agreed with the trade unions at the level of the individual public entity. Labour conditions (ancillary benefits, health insurance, etc.) were much more favourable at the regional level. Moreover, the mobility between provinces was more difficult than mobility between territorially located offices of the Lombardy regional government, thus restraining for part of the staff the practical possibility of being assigned to a more favourable locality. Third, moving from material to more intangible but equally significant benefits, working for lower levels of government was in Italy associated with a lower social status and prestige; a feature that is, at least in part, due to the legacy of the Napoleonic administrative tradition.

In the light of these considerations, top managers operated a careful selection of the staff to be transferred, composed mainly, though not exclusively, by staff in charge of operational tasks and working in the regional territorial offices of the Lombardy government, of which there was one in each province. This meant, on the one hand, that this part of the staff was less affected by the transfer; *ceteris paribus*, in fact, costs of transfer for them were inferior: they were not going to change in a significant way their job description; from a logistical point of view, they often remained in the same premises; and they showed a marked sensitivity to monetary rewards compared to other staff in the regional government, being instead more sensitive to benefits in terms of *status*, empowerment, variety and content of tasks executed.

All in all, however, it can reasonably be argued that overall costs strongly exceeded benefits, considering the long-term impact of losses<sup>8</sup>. A rational choice argument does not appear to be enough to explain the transfer of personnel in the Lombardy case, a “smooth” and basically undisputed process that unfolded over a relatively short period of time. An indirect counter-proof could be provided by the evidence of the many contemporaneous implementation failures in the transfer of personnel that could be observed - both from the central government to the regions throughout Italy and from the regional governments to local authorities, including, in other policy fields, the same regional government of Lombardy. The context provided the staff with means, ranging from organised lobbying to going on strike - the latter being a very effective means in Italy, that usually entails very limited costs for actors employing such instrument - whereby they could effectively resist pressures (in the form of exercise of formal authority) to change the employer. As an example, in a field closely related to agriculture, the transfer of the *Corpo Forestale dello Stato* (or “Forest Corps”, specialised teams operating in the protection of woods and natural parks) from the state to regions, prescribed by a law enacted about the same time, was resisted and eventually abandoned (no transfer occurred: see also Table 4.1 – indeed, further legislation was later enacted that definitely repealed the law on devolution of the Forest Corps).

In explaining the case outcome of the Lombardy experience, a processual explanation is proposed: it is based on the analysis of a concatenation of social mechanisms that seems to have been at work and determined the case outcome. The analysis hypothesises the triggering of a mechanism operating at the individual level – the *threshold-based mechanism* – and the contemporaneous inhibition of a mechanism operating at the level of social groups – the *mechanism of attribution of threat*. The starting point is the forming of a belief about the inevitability of devolution.

The forming of a belief about the inevitability of the process of devolution was attentively induced by the regional top managers in the agriculture directorate general, and took place in part of the staff at the critical moment of shaping actors’ collective strategy towards the new situation, a strategy whose content could have been instead determined by a mechanism of attribution of threat by the staff to be transferred, that represented a potentially-in-formation social group (see below). This was especially important with regard to those individuals that could more easily trigger organised resistance to change – first of all, trade union

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<sup>8</sup> Though, evidently, a univocal demonstration passes through the analysis of the actual preferences structure of the actors (and in particular the importance of promotion as a motivator, and of the relative balance of monetary and non-monetary compensation).

members. The forming of a belief about the inevitability of devolution shaped the boundaries within which decision-making by the staff to be transferred occurred; in particular, as regards the specification of decisional alternatives, those associated with the course of action of “opposing resistance until implementation of transfer is dropped” tended to be ruled out as “impossible”. The perspective assumed is that of sense-making as an organisational dimension of change, as in Weick (2001<sup>9</sup>). Once a belief (hypothesis) is formed in people’s mind, “people tend to look for evidence that confirms it. This evidence is especially strong if people are under pressure to act quickly and if it is hard for them to find time to question their initial beliefs<sup>10</sup>” (Weick, 2001, p. 460). Unless a belief about the inevitability of the process of devolution is formed, a “sense that nothing substantive will happen” may tend to prevail, partly because participants might be looking at the many other instances of devolution that were in a stalemate, partly because of their consciousness of a very long history in Italy of unaccomplished reforms. At the same time, behaviours emphasising the formal compliance to the normative act, by way of producing secondary legislation (regulations) or other formal administrative acts, might tend to prevail: considered a pre-condition of administrative action in legalistic countries, these behaviours might substitute for (in a typical means-ends inversion), and eventually entirely replace the substantive implementation of the goals of devolution<sup>11</sup>.

What factors did affect making sense of the inevitability of the new situation of devolution? According to Weick, there are seven properties having an important effect on sense-making: (a) social context, (b) personal identity, (c) retrospect, (d) salient cues, (e) ongoing projects, (f) plausibility, (g) enactment<sup>12</sup>. These properties “have an effect on the willingness of people to disengage from, discard or ‘walk away’ from their initial story” (in the case, the story, for the personnel, could sound like: “transfer of personnel will not occur here, exactly as it does not in so many other instances of devolution”) and adopt a newer story that is more sensitive to the particulars of the present context (in the case, the story is about the inevitable eventual implementation of devolution). According to Weick, these

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<sup>9</sup> “It is important to separate sensemaking from decision making because sensemaking sets the frame within which decisions are made. In many cases sensemaking may even do the bulk of the “deciding” that is present in any organized activity. So-called decisionmaking may simply ratify what was made inevitable much earlier when an innocent appearing of judgements mapped an issue out of a much larger set of possibilities that has now been forgotten (Weick, 2001, p. 460).

<sup>10</sup> A statement that, *inter alia*, might provide an argument for explaining the importance of succeeding in the transfer over a relatively short period of time, after which the likelihood of succeeding reduces and eventually vanishes.

<sup>11</sup> Though, as evident, regulations may sometimes be a necessary component from a technical point of view of the substantial implementation of a reform.

<sup>12</sup> A synthetic illustration is in Weick, 2001 (pp. 461-63); a detailed one in Weick, 1995 (pp. 17-62).

seven properties are straightforwardly linked to issues of organisational design<sup>13</sup>. If the design maintains or strengthens these seven resources for sense-making, then people will be able to continue making sense of what they face. If the design undermines or weakens these resources, then people will tend to lose their grasp of what may be occurring. The maintaining or strengthening of such process of sense-making can be analysed by addressing the operational questions proposed by Weick within the specific context of the way the regional managers led the intervention of devolution. The proposed set of seven questions is succinctly discussed tailored to the circumstances of devolution in Lombardy.

a) Social context: Does the organisational form encourage conversation? The setting up of the inter-institutional table of agriculture as well as of conditions for providing support and advice to civil servants in local authorities seem to have provided an important contribution to creating those “social anchors” (“sensible meanings tend to be those for which there is social support, consensual validation, and shared relevance”) that contribute to making sense of the new story.

b) Identity: does the form give people a distinct, stable sense of who they are and what they represent? The attentive creation of the perception of remaining part of the regional policy network contributed to make the staff sense to be “a center from which judgement of relevance and sense fan out” within the frame of the new story.

c) Retrospect: does the form preserve elapsed data and legitimate the use of those data? A sense of continuity was created and there was no breakthrough with the previous experience by civil servants with regard to their role and sense of the results their work produces for the community.

d) Salient cues: Does the form enhance the visibility of cues? Among the “tiny indicators that people elaborate into full-blown stories” there was undoubtedly the transplant of a number of specific procedures from the region to local authorities that created a linkage between a “particular” and a “general” (the general being overall stability in the routines) that confirmed in people an overall diagnosis of the situation as characterised, contrarily to what might be expected, by a relatively high degree of stability.

e) Ongoing projects: does the form enable people to be resilient in the face of interruptions? Staff were provided with signals about the fact that their transfer was only a part of a broader course of action aimed at the radical redesign of the programmatic system of agriculture that contributed to shaping an overall

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<sup>13</sup> “These properties are affected by organizational designs [...] There appears to be organizational conditions that facilitate sensemaking and conditions that thwart sensemaking”.

perception of things moving in one direction – notwithstanding the possible obstacles.

f) Plausibility: does the form encourage people to accumulate and exchange plausible accounts? Weick proposes on the point a set of sources of grounding (like agreement with others, the recent past, visible cues, etc.) which appear, though in quite different degrees, to have been present in the case.

g) Enactment: does the form encourage action or hesitation? Interpreted as encouraging experimentation by staff, the organisational solutions appeared to have favoured action - though only in a partial way that, however, all in all did not thwart the process.

All in all, organisational designs seem to have provided substantial grounding to making sense of the inevitability of the new situation of devolution, at least in a significant part of the staff.

The overall argument (based on the adoption of the perspective of March in conceiving sense-making as an input to decision-making - March, 1999, p. 25-26) is that the forming of a belief about the inevitability of the process of devolution made a number of people restrain the consideration of alternative courses of action and tend to rule out those associated with the eventual non-implementation of devolution (in other words, it deeply shaped the alternative-specification phase of the decision-making process). Regional managers enacted an environment for the staff to be reallocated; it required some time for followers to make sense of the new situation (Baez and Abolafia, 2002), but then it powerfully affected the course of events of the story of the reallocation of personnel in Lombardy.

The forming of a belief about the inevitability of devolution seems to have worked in concatenation with another mechanism operating at the individual level. The hypothesised mechanism for the explanation of the smooth transfer of personnel is the operating at the individual level of a *threshold-based behaviour* (Granovetter, 1978) about whether to accept or resist change. This mechanism, belonging to the class of rational imitation mechanisms (the most famous mechanism of this class being probably the self-fulfilling prophecy – see Box 3.1 below) is based on the idea that “an individual’s decision whether or not to participate in collective behaviour often depends in part on how many other actors already have decided to participate [...] An actor’s threshold denotes the proportion of the group which must have joined before the actor in question is willing to do so” (Granovetter, 1978, elaborated in Hedstrom and Swedberg, 1998). The acceptance of the transfer by some individuals increased the

proportion of people willing to participate, thus induced the final acceptance by the others; in other words, the fact that a significant part of the people to be transferred accepted the new situation may have induced others to participate, which in turn induced somebody else to participate, and so on.

To the benefit of the reader, a few more words may be spent in illustrating this mechanism (drawing on Granovetter, 1978). The mechanism applies to binary decisions: whether to join a given situation (the example employed by Granovetter is the decision about whether to join a riot). Individuals are assumed to be rational: given their preferences and perception of the situation, they act so as to maximise their utility. The key point is that costs and benefits for an individual depend in part on how many others make which choice. The threshold is the proportion of the group that an individual would have to see join before he would do so. A threshold may be the result of some different combinations of costs and benefits (so individuals with different structures of preferences and a different anticipation of possible future consequences may have the same threshold). It should also be noted that threshold models do not give information about the utility to an individual of each possible equilibrium outcome; they only allow to predict outcomes from the knowledge of individual threshold. Many factors affect the determination of the threshold, but only the knowledge of it is necessary to predict outcomes (threshold are situation specific).

How could threshold-based behaviour have worked in the Lombardy case? The key point is that for individuals to be only in a few number to resist dramatically increased the costs: even those with low costs of resisting (low propension to compliance, high willingness to keep the expected benefits from a career developing in the region) had to incur very high costs because so many others had already joined, while, for the same reason, the likelihood of obtaining something was drastically reduced. The forming of a belief about the inevitability of devolution induced a number of staff to accept transfer; this in turn induced others (those with a lower threshold) to join, and eventually costs of resisting became too high and the remainder joined.

This analysis of the dynamic of the system may appear a bit too mechanistic. In this respect, a variant of the mechanism could perhaps provide a richer explanation of the smooth transfer of personnel. A plausible explanation of what happened may lie in the fact that, in the selection of personnel, top managers jointly with the managers of the territorially located offices operated a careful selection of individuals to be transferred, by focusing those more influential on others, those capable of signalling to others the behaviour to be adopted. Threshold-based behaviour may incorporate influence of social structure. The

typical example is that of friendship, where threshold is determined by the number of people that have already joined, revised by taking into account the relative weight of the people that have joined (in which friends weigh more than “anonymous” people). However, it may be that the influence of carefully selected people has played a more subtle role in determining the outcome than the one that can be “treated” by a variant of threshold-based behaviour. If this is the case, part of the explanation may probably be sought in the effect of “social leaders” whose trust by others has affected their likelihood of acceptance of the “join” option. The two mechanisms may have operated as alternative explanations, or may have worked jointly, interactively, amplifying the achievement of the final effect.



**Box 3.1. Rational Imitation Mechanisms.** According to Hedstrom (1998, chap. 12) and Hedstrom and Swedberg (1998, pp.18-21), self-fulfilling prophecy, threshold-based behaviour, network diffusion processes, and others all belong to the class of rational imitation mechanisms. The prototype and most famous rational imitation mechanism is the self-fulfilling prophecy. The basic idea of the self-fulfilling prophecy (we follow Hedstrom and Swedberg, 1998, elaborating on Merton, 1948) is that an initially false definition of a situation evokes behaviours that eventually makes the false conception come true. The key example that Merton uses to illustrate his argument is a run on a bank. If a rumour of insolvency somehow gets started, some depositors will withdraw their savings. Their withdrawal will strengthen the belief in the rumour, partly because the withdrawal may actually hurt the financial standing of the bank, but more importantly because the act of withdrawal in itself signals to others that something indeed might be wrong with the bank. This produces even more withdrawals, which further reduces the trust in the bank, and so on.

In the perspective of rational imitation mechanisms, individuals are goal-directed and an individual's propensity to perform an act at time  $t$  ( $P_{it}$ ) is an increasing function of the individual's belief ( $b_{it}$ ) in the value of performing the act:  $P_{it} = f(b_{it})$ . More specifically, the proposed mechanism states that individual  $i$ 's belief in the value or necessity of performing the act is a function of the number of other individuals who performed the act at time  $t-1$  (Merton's bank customers based their judgement about the solvency of the bank on the number of other customers withdrawing their savings). That is:  $b_{it} = g(n_{t-1})$ , where  $n_{t-1}$  = number of individuals performing the act at time  $t-1$ , and  $g$  is an increasing function. Inserting this expression into the former one we have:  $P_{it} = f[g(n_{t-1})]$ , which suggests that an individual's propensity at performing an act is an increasing function of the number of other individuals who already have performed the same act. The core characteristic of these mechanisms is the general belief-formation mechanism, which states that the number of individuals who perform a certain act signals to others the likely value or necessity of the act, and this signal will influence other individuals' choice of action. The main difference between social mechanisms of the rational imitation class is centred on the form of function  $g$ , which provides the fine-grained details of the link between  $b_{it}$  and  $n_{t-1}$ . In threshold-based behaviour it is the individual threshold, in network diffusion processes  $g$  is a function of the socio-metric ties, in self-fulfilling prophecy  $g$  was left unspecified by Merton and may accommodate different kinds of influence of other people's signals on individual's belief.

Finally, it can be argued – in hypothetical terms - that the triggering of mechanisms of rational imitation was made possible also by the contemporaneous inhibition of a *mechanism of attribution of threat*. Attribution of threat is an activating mechanism (McAdam, Tarrow and Tilly, 2001, p. 43 and 95) responsible for the mobilisation of previously inert populations (or social

groups in general); it involves (a) invention or importation and (b) diffusion of a shared definition concerning alterations in the likely consequences of possible actions (or, on what that matters, of failures to act) undertaken by some “political” actors. In the case, attribution of threat to the new situation by the staff to be transferred<sup>14</sup> might have led the staff to critically revise their understanding of the situation and ultimately reject the belief about inevitability.

The attentive creation of the perception of remaining part of the regional policy network (in particular by means of the fact that they were going to operate according to similar procedures that were going to be replicated in local authorities) and that their integration in the local governments to which they were going to be reallocated would be facilitated by a transplant of administrative procedures from the region to local governments, as well as by other organising devices (whose effects will be illustrated in the subsequent section), contributed to inhibit, or at least attenuate, potential attribution of threat to the new situation by the staff to be transferred.

Findings so far can be summarised as follows. The careful selection of personnel and the provision of correspondingly suitable incentives (determined according to actors’ utility) created conditions that attenuated the disadvantages for the personnel to be reallocated. But it was only the forming of a belief about inevitability of devolution concatenated with some form of social mechanism of rational imitation at the individual level (the hypothesised mechanism is threshold-based behaviour), and the contemporaneous inhibition of the mechanism of collective attribution of threat, that eliminated, or at least strongly attenuated, the resistance to realignment by workforce.

We can now turn to examine the overall devolution process, and address the question of explaining the significant degree of difference from the previous organisational arrangements.

### **3.4 Explaining the degree of difference from previous organisational arrangements**

In order to explain the profound renewal of the organisational arrangements adopted in the Lombardy regional government, it is possible to start by focusing why the devolution process gained “momentum”, contrarily to what might be

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<sup>14</sup> Operating collectively as a potentially-in-formation social group.

observed in other instances of devolution throughout Italy. Proceeding as for the explanation of workforce realignment, we can suppose at first a rational approach by actors affected by devolution in calculating benefits and costs associated with the new situation. A number of social groups, besides elected officials and regional top managers, were affected by devolution: the middle management in the region, elected officials in local governments, tenured officials in local governments, managers of agricultural businesses' associations at the regional and the local level. For at least two groups benefits did not exceed costs (at least in a straightforward and univocal way): tenured officials in the staff of local governments, and managers at the regional level in associations of agricultural businesses. In local authorities, while elected officials had a favourable attitude towards devolution as especially commissioners in charge of agriculture matters envisaged that devolution could remarkably enhance their previously very limited status, for tenured officials devolution represented mainly a significant transfer under their responsibility of routine, "boring" tasks; in addition, these tasks conveyed a high degree of administrative risk embodied in their execution; as to the massive reallocation of personnel from the region, it represented for them a concrete menace of being superseded by transferred regional staff, who had been promoted to a higher assignation-level as an incentive to transfer, and should therefore be assigned correspondingly higher-level duties under the labour regulation in force in the Italian public sector.

As to the managers of agricultural businesses' associations at the regional level<sup>15</sup>, the issue for them was that they had to give away part of their competencies to the local organisational tier of their associations, "mirroring" the transfer of tasks from the regional to local governments, and thus redefine their room for manoeuvre, internally to the organisation as well as in the relations with public entities.

Also for other groups benefits were not exceeding costs in a clear-cut way. For the middle management in the region, devolution represented a mixed blessing: a change from a reassuring situation characterised by the supervision of a large number of staff performing routine tasks to a new job description partly enriched by the execution of professional tasks, like providing advice to elected officials, but also fraught with a higher degree of uncertainty and "fickleness" of the tasks to be executed.

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<sup>15</sup> Agricultural businesses' associations had an organisational structure that mirrored public sector structure and repartition of competencies in agriculture, with a European (federative) level, a National central structure, a regional level and a Local one. As an effect of devolution to Local Authorities, it was especially the regional level that had to redefine its mission and tasks.

Since the engagement of all these groups proved important for sustaining momentum of the devolution process, a rational choice argument does not appear to provide a satisfactory explanation of change. In the line of argumentation so far employed a complementary, processual explanation is proposed. In this perspective, the two venues for co-ordination that were established at the beginning of the devolution process – respectively the Inter-institutional table for agriculture for consulting elected and tenured officials in the local governments, and the agricultural table supporting the engagement of representatives of agricultural businesses in policy formulation and implementation – performed also another function beyond their institutional one: they acted as important *mobilising structures*, social spaces put at the service of interpretations of situations and objectives (McAdam et al., 2001, p. 102). The inter-institutional table for agriculture contributed to making sense of the new situation of devolution to elected and tenured officials in local governments; the agricultural table contributed to imposing sense of the new situation to managers in farmers' associations. These groups were actively and continuously mobilised by regional managers by using these structures. This is an important, though not exhaustive, part of the story of how the favour of these two groups was won to the goal of implementing devolution, thus leading to a radical and stable change of the regional organisational structure and to the performance of new programmatic activities (Outcome 4 and 5).

However, there is a difference in the functioning of the two tables: while the inter-institutional table for agriculture used to meet on a regular basis (over the first two years, it used to be convened every second Thursday of the month with the managers from provinces, and every third Thursday of the month with the representatives of mountain communities), the agricultural table was convened on a more episodic basis. As regards the engagement of farmers' associations, a key category of stakeholders in the policy sector, in the perspective employed of a processual explanation of sustained momentum of the devolution intervention the establishment of the Centres for Agricultural Assistance (CAA) performed an important function. Run by agricultural businesses' associations, the CAA performed on a contractual basis the delivery of important public services for agricultural businesses. Established in 2001, when the devolution process was halfway, they represented a way of linking the agenda of businesses' representatives to the devolution agenda carried on by the regional government. The social mechanism of *brokerage* seems to have been at work. Brokerage can be defined as "the linking of two or more previously unconnected social sites by a unit that mediates their relations with one another and/or with yet other sites [...] it

can become a relational mechanism for mobilisation [...] brokerage reduces transaction costs of communication and co-ordination among sites, facilitates the combined use of resources located at different sites, and creates new potential collective actors" (MT&T, p. 26 and 102). Associations benefited of these new arrangements in two ways: the remuneration for the services they delivered was satisfactory, and the direct contacts with users represented an opportunity for establishing closer links with agricultural businesses. The benefits gained by businesses' associations contributed to winning the favour of their managers, both at the local and at the regional level. The agenda of managers in agricultural businesses associations thus became linked to the progression of the regional devolution agenda. In fact, the devolution of further operational tasks that occurred in 2002 was for a significant part addressed directly to the CAA, and only the execution of a limited set of administrative tasks was devolved to local authorities. CAA were financed, for the new functions, directly by the region, thus employing financial resources, relatively abundant in the agriculture sector within the framework of the very "rich" Common Agricultural Policy, and saving on personnel resources, critical in the public sector at that period.

In this way, two further effects were obtained, that activated a loop with the ongoing transformations in local governments: first, local authorities were not overloaded with too many tasks – having already received a wide range of attributions from the regional government. Second, part of the administrative risk was moved away from local governments' staff, and transferred outside the public sector<sup>16</sup>. The backing of the devolution agenda by tenured officials in local governments was thus reinforced, with eventually a positive effect on the progression of the regional devolution agenda.

A third organising device proved important for the progression of devolution. Regional top managers jointly took part to all or most of the intra- and inter-organisational working groups that were established for implementing the different interventions required by the devolution agenda. To cite some: the working group for the management of the transfer of personnel to local governments, the working group for the design of the regional funding body, the working group for the assessment of the economic and financial impact of devolution on local governments, etc.. The intense and continuous presence of regional top managers in all relevant interventions proved important for

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<sup>16</sup> The allocation of tasks to appointed private bodies is a phenomenon of decentralisation, not devolution, according to the definitions introduced; but the key point within the frame of our analysis is that, by activating a mechanism of brokerage, it contributed to the progression of the devolution agenda, facilitating the consolidation of the functioning of tasks already transferred to Local Authorities, as well as the effective integration of the new, selected ones that were transferred in 2002.

maintaining over time *validation* of the intervention. The presence of top managers of the agriculture directorate general and, in the two important cases of the transfer of personnel and of the establishment of the regional funding body, also of top managers from the presidency of the Lombardy region determined the activation of the social mechanism of *actor certification*: the validation of actors and their performances by external authorities. Attitudes that, in brief, we can label as “consistent with the strategic reorientation of the Lombardy regional government to a role of steering of other actors (the local authorities, the funding body, the CAA, the same associations of agricultural businesses, etc.) in a devolved policy subsystem” came to be recognised as socially acceptable. Acceptability “contributes to explaining what kind of organisation, identity and collective interaction are prescribed, tolerated, and forbidden” (McAdam et al., 2001, p. 145) and can provide part of the explanation of the contribution by the regional middle management to the adaptation of the organisational routines to the new situation, and of the support it provided to local governments in executing the new tasks, thus contributing to the advancement of the devolution agenda.

Wrapping things up, we can conclude that the concatenation of the social mechanisms of appropriation of mobilising structures, brokerage of the devolution agenda with key stakeholders’ agenda, and actor certification by top managers of new and different behaviours in the middle management determined a sustained momentum of the intervention of adaptation to devolution, as well as provided an important contribution to increasing intra- and inter-organisational co-ordination.

Findings so far provide elements for the understanding of the process dynamics of the implementation of devolution under conditions determined by the features of the institutional and policy system, as well as the constitution of the organisations involved. These results are discussed in chapter 4, and applied to the elaboration of practices for the management of devolution processes in chapter 5.

## 4. The dynamics of organisational change in the implementation of devolution: a discussion on the basis of the Lombardy experience

### 4.1 Results of the case study of devolution in Lombardy

The in-depth study of the Lombardy case has provided significant elements for explaining devolution in the Italian context and more broadly for elaborating a tentative theorisation<sup>1</sup> about the dynamics of devolution processes.

In Italy, the persistence of the administrative law paradigm and some key features of the politico-administrative system inherited from the Napoleonic tradition had a significant influence on the devolution process. In such tradition of governance there seem to be some general context conditions (like the social status associated with working for higher levels of government) that, broadly speaking, thwart the implementation of devolution; in many respects, these features seem to operate in the direction of impeding, or at least slowing down the implementation process: they could be labelled as “counteracting factors” that would naturally inhibit or sap the devolution process – and in this sense they constitute a “management problem” that public managers have to deal with: this is the issue examined in chapter 5<sup>2</sup>.

However, “zooming in” the Italian trajectory, we have found significant differences in the implementation of devolution. The Lombardy case of agriculture is a course of events alternative to the one that seems to be more consistent with the politico-administrative system and the dominance of the administrative law paradigm. Indeed, some key crossroads have been examined that, combined,

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<sup>1</sup> Theorisation implies the elaboration of a set of interrelated statements about the phenomenon investigated, drawing from one or a small number of cases – a kind of research work that has its outstanding examples in the contributions of Weick (see e.g. his analysis about the dynamics leading to disaster: the Mann Gulch Disaster and the Tenerife Air Disaster, collected in Weick, 2001, pp. 100-124 and 125-147). There is a difference with the approach, in other respects very close, of investigating case histories in order to draw limited historical generalisations about relevant phenomena in public management (Barzelay, 2003 and 2001, pp. 174 and 176); the main difference lies in the fact that limited historical generalisations can be drawn from the investigation of “significant portions” of the phenomenon about which to generalise; theorisation is based on (theory-intensive) analysis of one or a small number of cases.

<sup>2</sup> By stating the problem this way, we assume that individual agency does have a role as a cause of change in shaping the direction that the implementation of administrative and managerial reforms will take – providing a role for individual agency in the explanation of trajectories of reform is advocated by scholars in public administration and public management like, *inter alia*, Bevir et al., 2003a and 2003b).

can determine a plurality of alternative trajectories of the reform: the way top managers in key positions are selected and provided incentives for adopting certain behaviours; the way the reallocation of personnel is managed; the way the engagement of some key social groups in the devolution process is conducted.

A first tentative statement is that *the joint presence of a) functional features of the executive government that favour the stability and cohesion of the dominant coalition<sup>3</sup> and b) human resource management systems<sup>4</sup> capable of providing incentives to performance-orientated behaviours and allowing flexibility in the appointment of top managers, enables a selection process likely to lead to appoint public managers with an entrepreneurial approach and to provide incentives that - especially when concatenated with a mechanism of actor certification - enhance the likelihood of them adopting a course of action conducive to the effective implementation of devolution.*

Stability of the Lombardy regional government has contributed to keeping the cohesion over time of the dominant coalition, which in turn has ensured continuity of action and provided credibility to making sense of the inevitability of the new devolved institutional setting (which in turn proved to be important for the progression of the overall devolution process). Stability was due in part to the recently modified majoritarian electoral systems. Though a widely-known counter-argument is that consensual systems take longer to make a decision but once it has been made its implementation is favoured exactly by the broad consensus in favour of the decision determined by the engagement of all or most of the stakeholders, the point that, to put it "very crudely [...] the speed and severity of management reform have declined as one moves from [majoritarian to consensual systems]" (Pollitt and Bouckaert, 2004, p 47), can in our opinion be made for devolution reforms too, whose actual and rapid implementation seems to be affected by the presence of a majoritarian executive government leading the devolution intervention<sup>5</sup>. In the Lombardy case, the kind of executive leadership provided by the regional president, Roberto Formigoni, also had an influence in determining the stability and cohesion of the dominant coalition over

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<sup>3</sup> Under circumstances in which the issue of the effective implementation of devolution is high on the governmental agenda. The explanation of why this occurs is out of the scope of the present study (on the topic, see Brusis, 2002, and Christensen, 2000), though in the specific case of Lombardy, as we have seen (chapter 3), some form of political competition between central and local governments seems to have played a role.

<sup>4</sup> A factor at the individual organisation level, that in turn depends also on the government-wide rules in the area of personnel and labour relations.

<sup>5</sup> A study of devolution at the national level in three countries provides evidence that, *prima facie*, seems to support the argument (see Fedele and Ongaro, 2005) - on the other hand, the claim that the institutions of majoritarian democracy are a more favourable environment for intense reforms has undergone different criticisms (Yesilkagit and De Vries, 2004).



the entire period of the devolution episode<sup>6</sup>. Whatever the underlying causes, stability and cohesion appear to be an important (functional) requirement for devolution processes to occur in a rapid, radical and thorough way.

The second key factor is the human resource management (HRM) system of the public entity leading the devolution intervention. Forms of performance-related pay and promotion seem to provide effective incentives to discard “formalistic-compliance-to-the-norm” behaviours that have in other instances sapped the devolution process and adopt entrepreneurial, result-oriented behaviours that seem to be more consistent with the implementation of the reform<sup>7</sup>. The effects of a performance-oriented HRM system seems to be reinforced when coupled with the social mechanism of actor certification. The statement – drawn from the analysis of the Lombardy experience – can be interpreted, first, in the sense that effects of performance-oriented systems are significantly reinforced when coupled with other mechanisms (like actor certification); second, effects of performance-oriented systems are not to be intended in a mechanistic way. Indeed, there is evidence in literature that the general trend to performance-related pay in the public sector (OECD, 1993) has produced mixed and sometimes downright disappointing results (see, e.g., Gaertner and Gaertner, 1985, Halligan, 1996, Pollitt and Bouckaert, 2004). Moreover, the politicians-bureaucrats “deal” is a much more complex game than any mechanical representation of it could provide (as the studies of, *inter alia*, Dunleavy, 1991, and Hood, 2000 and 2002, illustrate). However, provided the overall picture is considered (cohesion of the dominant coalition, concatenation with actor certification), there seems to be room for advancing the proposition that forms of performance-related pay and promotion do orient to entrepreneurial behaviours. The picture should be completed by the consideration of the importance of a relatively high managerial autonomy: managers in the Lombardy region were “free” to adapt their stance to the evolving circumstances and employ a wide range of instruments without any significant constraint to their “room for

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<sup>6</sup> To add an insider’s view to buttress the argument about evidence of the dominance of Formigoni on the Lombardy political landscape during the period considered, a leading article from the most renowned Italian newspaper reports that “for ten years, politics in Lombardy has been one person: Roberto Formigoni. His incredibly strong position in the Lombardy political landscape has many reasons: his personal talents, his skilled team of friend-collaborators, the highly complex political elaboration that was inspired by *Comunione e Liberazione* (Communion and Liberation, a Catholic movement of which Formigoni is a leader – note of the translator), so mature that it has been transformed into many concrete provisions: the healthcare reform, the voucher-system for social care and in the education sector. With the help of an adequate electoral law, and a significant degree of unscrupulousness in the management of the relationships with the Assembly, for years one thing was uncontroversial: nothing has been decided in the Lombardy government without the approval, or at least tolerance, by the governor” (*Corriere della Sera*, 16 July 2005, p. 51, our translation).

<sup>7</sup> Performance-oriented routines for the evaluation and reward of personnel were introduced in the Lombardy regional government the two years before the devolution episode started.

manoeuvre” by elected officials (who entrusted and widely protected them from external interferences).

All in all, key to understanding the phenomenon seems to be the way the two aspects interacted. Public managers in key positions for the devolution process to occur were on the one hand strongly put under pressure to implement the process, while at the same time provided a “degree” of managerial autonomy that allowed the quick and flexible exploitation of available means, that allowed to carry out interventions conducive to the effective implementation of devolution (see chapter 5). This raises a controversial point, widely echoed especially in the debate about the New Public Management in which argumentations about the feasibility and desirability of each of the two “competing principles” of *making managers manage* and *letting managers manage* have been proposed and criticised, sometimes harshly (Aucoin, 1996, Kettl, 2000); entering such debate is well beyond the purposes of the present work; however, it seems that some form of “sustainable” integration, or at least co-existence of the two logics, is undoubtedly an important ingredient in the implementation of complex policies, like devolution.

The other main feature of the HRM system, as it evolved in the years before the devolution episode, concerns the flexibility in the appointment of managers by the executive government – that in many respects resembled a “spoils system” logic, in the upper reaches and also downwards across the hierarchical layers. This topic too is widely debated in literature. Arguments in favour of spoils system logics put emphasis on the internal consistency of the organisational apex, in which elected and tenured officials, because of the relationship based on trust, (should) have the same agenda about the interventions to be carried on. Counterarguments include a) the risk of disruption and radical reversals any time the executive government is changed, and b) the danger of an increasing number of “yes-men” (and “yes-women”) replacing career civil servants capable of providing “frank and fearless” advice (an overview of the debate is provided in Pollitt and Bouckaert, 2004, pp. 50-52 and 78-79). Drawing on the experience studied, a line of argumentation that could be put forward and proposed for further investigation is the following<sup>8</sup>: flexibility in the appointment of officials by executive politicians is one ingredient (by itself insufficient, as it interconnects with the other features of HRM systems, as well as with other mechanisms that might be activated) that may facilitate the implementation of policies that aim at a radical degree of innovation and departure from previous arrangements (as is the

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<sup>8</sup> The *caveat* already recalled about the complexity of the politicians-bureaucrats deal that require to rule out any over-simplification in the interpretation of such phenomena apply.

case of devolution, which represents a main reshaping of the structure of the state). In those cases, the risk of a radical reversal is somehow taken into account, as radical change is exactly what is looked for, and the advice of “experienced” civil servants that have long operated in a consolidated setting may be more of hamper than of help in innovating.

A second set of claims that may be drawn from the analysis of the Lombardy experience is that *monetary incentives or promotions are important but likely not to be enough for making the reallocation of personnel to lower levels of government a smooth process in countries in the national tradition of governance in Italy* - in which the status is higher and, quite often, the contractual conditions are much more favourable in the upper tiers of government. *The forming of a belief of inevitability and the contemporaneous inhibition of a mechanism of attribution of threat, and the triggering of forms of rational imitation at the individual level are important ingredients for explaining the realignment of workforce.* The combination of these psychological processes and social mechanisms provides an interpretation of why and how workforce realignment can occur in a smooth way under circumstance that should otherwise hamper the process.

The realignment of workforce is a process sensitive to factors like the culture of governance and the high status and profile of career paths associated with working in higher tiers of government in the national tradition of governance in Italy (as well as probably in other countries with a similar administrative tradition, namely the “Napoleonic” countries, including France and the number of nations that inherited its administrative model, see also OECD, 1997), which, broadly speaking, work in the way of making it more difficult. The “entity of the gap”, in terms of average wage, additional benefits, etc. between the labour contract in the higher and in the lower levels of government may be extremely different from country to country and, within a nation, from sector to sector and group of professionals – but overall the *direction* of the gap is clearly in the sense of wage and labour contract conditions being favourable in higher tiers of government. Social status, even more straightforwardly, is higher in the central state, and also partly in the regions, than in local authorities.

The realignment of workforce is also sensitive to the set of options available to managers to lead the intervention, like the articulation of the legal instruments by which staff can be rewarded (determined by the current regulation of pay schemes in the public sector); and by the set of options available to staff to resist change, which include means ranging from organised lobbying to going on strike.

The efficacy of such means vary considerably from country to country and within the same country: it is especially when means available to managers and means available to staff are balanced that the identified social mechanisms and their concatenation may prove relevant in determining the outcome of the process. The set of options available to managers is also affected by the current trend in public sector employment (with later trends in many OECD and other countries, at the time this work is being written, showing a curtailing of staff and managerial positions<sup>9</sup>).

It can also be argued – though only in hypothetical terms - that certain initial conditions in which personnel to be transferred work affect the likely resistance to realignment. The Lombardy case was in an intermediate position between two situations: the split of the organisation of the public entity devolving tasks and the “transfer of a portion of it” to the recipient entity, in which the reallocated units (the “offices”) are merged, on the one hand, and the reallocation of an external organisation or body (like an agency<sup>10</sup>) from the control of the upper tier of government to the control of the lower tier. The Lombardy case was for the most part – though not entirely – a reallocation of personnel from the field offices of the regional government – distributed throughout the territory of Lombardy - to the hierarchical structure of the Province. It was a case of devolution from a deconcentrated organisational structure<sup>11</sup> (in fact only a small portion of the personnel that worked at the Milan headquarters was reallocated, while most of the staff in territorial offices was transferred) combined with the merger of the devolved units into the structure of the lower-level governments. It may be argued that difficulty increases if personnel has to be “picked” from within the organisation, while it decreases if staff works in a deconcentrated organisational structure and even more if it works in an “external” agency. It may also be argued that difficulty increases if the personnel has to be integrated in a new organisation, while decreases if the personnel is set to work in an agency or some other form of relatively autonomous body that is simply reallocated under the supervision of the lower-level government. As additional, complementary elements, it may be argued that difficulty in reallocation of personnel decreases in case of modifications to the job description are of limited extent (*ceteris paribus*,

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<sup>9</sup> See Country Files in OECD/PUMA ([www.oecd.org/puma](http://www.oecd.org/puma)) and Pollitt and Bouckaert (2004, p. 113, Table 5.5, *Changes in Government employment* – referred to twelve OECD countries over the last two decades).

<sup>10</sup> We refer to an agency as a structurally disaggregated and relatively autonomous organisation – see Pollitt and Talbot (2004), Pollitt et al. (2005), Verhoest et al. (2004a and 2004b).

<sup>11</sup> We adopt the conventional notion of deconcentration as a form of organisation based on territorially-located offices that have the purpose of allowing the organisation to get “closer” to users while at the same time keep uniformity in the policy delivery throughout the territory (OECD, 1997).

transfer is more difficult if significant changes occur also at the micro-level of the job description of the reallocated staff); another element to be considered is the logistical one: the transfer from one locality to another one (with the related inconveniences for the worker and his/her family) may make the reallocation of personnel more difficult.

A confirmation to the argument proposed is provided by the case of devolution of the *centri per l'impiego* (hereafter welfare-to-work centres) from the central government directly to the provincial governments, that occurred about the same years in Italy. It was a case of transfer of external bodies to the supervision of local authorities, without any significant impact on their internal structure and routines: personnel reallocation was not so critical as in other instances of devolution.

An overview of data about personnel reallocation in different policy sectors in Italy seems to provide further empirical evidence that can make the above argument plausible or at least worth considering. Table 4.1 provides data about personnel reallocation in Italy (at the date of May 2005).

Policy sector	Personnel		Gap
	Contingent to be reallocated	contingent actually reallocated	
Energy	45	37	8
Subsidies to the commercial sector	20	4	16
Environment	0	0	0
Road network	4,396	4,083	313
Public transportation	304	277	27
Civil Protection	44	14	30
Water infrastructure maintenance (state property)	80	0	80
Public works	387	322	65
Public housing	0	0	0
Hydrographical and cartographical services	143	141	2
Healthcare (monitoring services)	27	9	18
Services for disabled persons	257	113	144
Administrative police	23	23	0
Education	83	0	83
Training-for-job	330	330	0
Agriculture (Forest Corps)	5,300	0	5,300
Welfare-to-work	6,000	6,000	0
Local public transportation	30	30	0
Land register	4,000	0	4,000
<b>Total</b>	<b>21,469</b>	<b>11,383</b>	<b>10,086</b>
<b>Total (%)</b>	<b>100</b>	<b>53.02</b>	<b>46.98</b>

**Table 4.1: reallocation of personnel from the state to regions and local authorities – gap between designed and implemented (Source: *Ministero degli Affari regionali* and *Il Sole 24 Ore*, 23 May 2005)**

On the one hand, interpretation of data seems to provide at least some underpinnings to the argument illustrated above (welfare-to-work and training-for-job were services run by relatively autonomous agencies distributed on the territory). On the other hand, data are far from being univocal in their interpretation (with many sectors showing a gap – but very differentiated in percentage terms): it is by examining what happens at the “micro” level of specific experiences of devolution that a better understanding of the process may be gained.

Returning to the Lombardy experience in agriculture, another factor that seems to have had an influence on the realignment of workforce is the culture bias of the organisation devolving the staff. An element of theorisation that may be drawn from the experience studied is that the sensitivity to monetary incentives is affected by the prevalence of values relating to individual remuneration, while at the opposite values relating to job enrichment and skills development may reduce the motivational impact of monetary incentives; eventually, the culture bias affects the influence of such incentives. Moreover, the “distance” between the culture bias in the devolving and the recipient organisation may affect the integration of personnel in recipients organisations. Complex organisations may have the contemporaneous presence of more professional groups and related culture bias – a characteristic much dependent on the features of the policy sector in which devolution occurs (this aspect is further discussed in paragraph 4.3). A third set of claims that can be drawn from the Lombardy experience regards the importance of the *concatenation of three social mechanisms for sustaining momentum of the implementation process* (as well as providing an important contribution to increasing intra- and inter-organisational co-ordination): *appropriation of mobilising structures by the top management in the public entity leading the devolution intervention, brokerage of the devolution agenda with key stakeholders’ agenda, and actor certification by top managers within the devolving Government of new and different behaviours in the middle management.*

The interpretation of the inter-institutional table for agriculture as a mobilising structure means that it performed a function in the change process in addition to the co-ordination function usually attributed to this type of organisational instruments. A similar mobilising function was performed by the agricultural table as regards the engagement of stakeholders in the devolution process. As regards stakeholders, another institutional device performed a key role: the Centres for Agricultural Assistance (CAA). The CAA were a way of linking the devolution agenda to the agenda of key groups in agricultural businesses’ associations. By

linking the two agendas they triggered the mechanism of brokerage: social sites previously unconnected were connected, the CAA provided additional labour resources to the system, while at another level their “parent” associations provided political support to the process. The corporatist nature of the agriculture sector (a feature common to the agriculture sector all over Europe, given the nature of the Common Agricultural Policy: see Wallace and Wallace, 2000, chapter 7) may have favoured brokerage – in other policy sectors such linkages might be more difficult to obtain<sup>12</sup>.

Middle management may be a source of inertia, if not outright resistance, to the devolution process. In the Lombardy case, a mechanism of actor certification seems to have contributed to winning the support by the middle management, or at least ensuring an adequate degree of “compliance to the reform” by this key social group. The middle management is likely to be a key actor in devolution processes (and probably more generally in the implementation of all major reform processes), whose commitment to the progression of the devolution agenda over long periods of time may require more than some monetary incentives (often of a limited amount in both absolute and percentage terms) linked to the achievement of targets formally linked to the advancement of the devolution agenda.

In the following paragraph, we undertake the path of integrating these results in a broader framework. Drawing on the findings of the present study and the review of literature, a broad scheme of analysis of the factors affecting the implementation of devolution is proposed.

#### **4.2 Factors affecting the implementation of devolution: a framework**

Three groups of factors have so far been identified that affect the dynamics of the devolution process. A first group relates to the cultural dimension (conceived broadly the way Bevir et al., 2003a and 2003b intend the “national traditions of governance”, see also Capano, 2003) and the features of the politico-administrative system (see Lijphart, 1999 and Peters, 1988 - especially the way they have been revisited by Pollitt and Bouckaert, 2004 - see also Keating, 2001). This group of factors includes the administrative culture, the social status associated with working for higher or lower levels of government, the nature of the executive government, the set of options available to staff to resist change

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<sup>12</sup> Though corporatist systems are quite “common” in a number of countries, at least in continental European countries (Kickert, 1997).



and the means available to top executives to force the implementation of change. These kinds of systemic features— though obviously evolving over time like any aspect of a social system – tend to change only gradually or infrequently and may therefore be regarded as relatively more stable features in the reformers' environment: they somehow constitute the “house” in which devolution processes occur.

A second group of factors regards the rules and routines constraining the way financial, human, material, and informational resources can be acquired and utilised by public managers. The notion of public management policy is especially useful in this respect: outcomes of public management policies in a country are “government-wide institutional rules and organisational routines in the areas of expenditure planning and financial management, audit and evaluation, civil service and labour relations, organisation and methods, and procurement that guide, constrain and motivate the public service” (Barzelay, 2001 and 2003). Rules and routines in the area of personnel emerge as especially relevant for the implementation of devolution. In Italy, the major reform of the rules of the civil service in 1993 (Legislative Decree 29/93) enabled changes in human resource management, like the new internal regulation adopted in Lombardy in 1997, that led to a high level of discretion and flexibility in the appointment of tenured officials and introduced routines for the evaluation of the performances of regional managers. Rules concerning personnel and labour relations are influential on the dynamics of the devolution process also because contribute to shaping the means available to top executives to reallocate personnel to other levels of government.

The third group of factors regards the organisational configuration and the management systems at the level of the individual public entities affected by the devolution process. Specific relevance have the HRM system and the organisational structure. With regard to the latter, the degree of internal decentralisation (in the sense of Mintzberg, 1983) affects the autonomy of divisional managers - hence at least in part their room for manoeuvre; the existence of field offices (deconcentration) may facilitate the reallocation of personnel for reasons that have been previously discussed. Such aspects depend partly on public management reforms carried out at the national level, and partly on the specific history of the organisation and the way it has been run by elected and tenured officials.

These findings can be combined with the results of the study by Pollitt et al. (1998) in order to draft a broader scheme that might be useful for advancing our

knowledge about the dynamics of the implementation of devolution processes. We have seen (paragraph 1.2) that Pollitt et al. (1998) have sketched an outline of a theory of “implementation habitats for decentralisation”, or, using a more conventional terminology, a scheme of the main factors affecting the implementation of decentralisation. The notion of “habitat” should be interpreted in the sense that the logic of the analysis is to identify whether each factor facilitates or hinders the implementation of decentralisation – i.e. whether it determines a situation more or less “favourable” to decentralisation. Two groups of factors are identified by the authors: service characteristics and local characteristics.

The first building block of the outline of the theory of implementation habitats proposed by Pollitt et al. (1998) is the analysis of how some characteristics of the services delivered by public sector organisations in the policy sector under consideration affect decentralisation. More in detail, the authors argue that the nature of the contacts with users (their “frequency” – from episodic to continuous - and “closeness” – from face-to-face to remote) as well as other characteristics, like whether the service is universal or selective, and whether it is consumed on an optional or a mandatory basis, have an influence on the degree with which users of services will become influential actors in the change process. In the framework proposed in the present work, service characteristics are included in the broader category of the characteristics of the policy sector in which devolution occurs, and in particular the nature of the policy process and the way stakeholders affect public policy-making<sup>13</sup>. Another aspect regards the implications of the nature of the service in terms of being capital-intensive “versus” labour-intensive. In the present work, this feature is treated in a way which is partly different. Though agreeing with the argument that capital-intensive services may require an adequate size of the recipient organisations for the execution of the programmatic tasks devolved to be feasible, differently from the authors we argue that labour-intensive services may be the most difficult to decentralise as they entail massive workforce reallocation which, under circumstances present in Italy and probably common in a number of countries, may incur in a course of events likely to lead to a substantive halt of the process. This consideration does not entail that devolution in labour-intensive services is “doomed”: alternative courses of events may occur (paragraph 3.3), but they require the triggering of mechanisms counteracting other mechanisms that would otherwise sap the process (see also paragraph 5.3).

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<sup>13</sup> E.g.: the corporatist nature of the agricultural policy in the European Union countries.

The second category of factors identified by Pollitt et al. (1998) are the local characteristics. In order to provide an integration with the findings of the present study, in the analysis of local factors we introduce a distinction between *locality factors* and the *organisation constitution*. By locality factors it is meant those factors like the socio-demographic composition of the community - the argument, as we have seen, is that a population mainly affluent and well-organised is likely to be in a stronger position either to support a reform or to offer "recalcitrance" to it - and the nature of party political competition – the argument being that a less conflictual local political competition may facilitate the implementation of decentralisation. By organisation constitution it is meant the organisational culture, structure and routines of both the devolving and the recipient organisations. The characteristics of the routines for the management of human resources are especially significant as they may affect in a crucial way both the reallocation of personnel and the selection and appointment of public managers in the key positions for the devolution process to occur. Culture bias in the organisation affects *inter alia* the sensitivity to monetary incentives by the personnel to be reallocated (which in turn affects the likely magnitude of the resistance to change). The existence of territorially located offices may facilitate from the logistical point of view the reallocation of personnel.

Regarding the results of the study by Pollitt et al. (1998) about the influence of certain service and local factors, the Lombardy case is significant mainly for "adding confidence" to some of these results and as a way of expanding and integrating the claims that can be formulated about the influence of these two groups of factors on the dynamics of devolution and decentralisation processes, especially by considering the ways the organisation constitution of public entities both devolving and recipients of authority affect the devolution process<sup>14</sup>.

Besides the organisation constitution, the other two groups of factors identified and examined in the present work on the basis of the Lombardy experience seem to be related to a third broad category - distinct both from the category of service characteristics and the category of local factors - which we might refer to as the national politico-administrative context and path of administrative and managerial reforms<sup>15</sup> of the country in which devolution takes place. The administrative

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<sup>14</sup> Though obviously the study was not suited to this purpose, as no variation in the policy sector – service characteristics – nor in the locality – local characteristics – has been introduced.

<sup>15</sup> On the distinction between public management and administrative reform, an interesting definition was, *inter alia*, originally provided by a practitioner (Keeling, 1972) who defined Administration as "the review, in an area of public life, of law, its enforcement and revision; and decision-making on cases in that area submitted to the public service" (the focus being on the "law", and on the analysis of decision-making procedures and, more broadly, processes), while

culture prevailing in the country, the social status associated with working for higher tiers of government, the nature of the executive government (majoritarian or consensual) are all factors related to the cultural and politico-administrative context of a country: they combine with public management policies in affecting the dynamics of devolution processes in a given country.

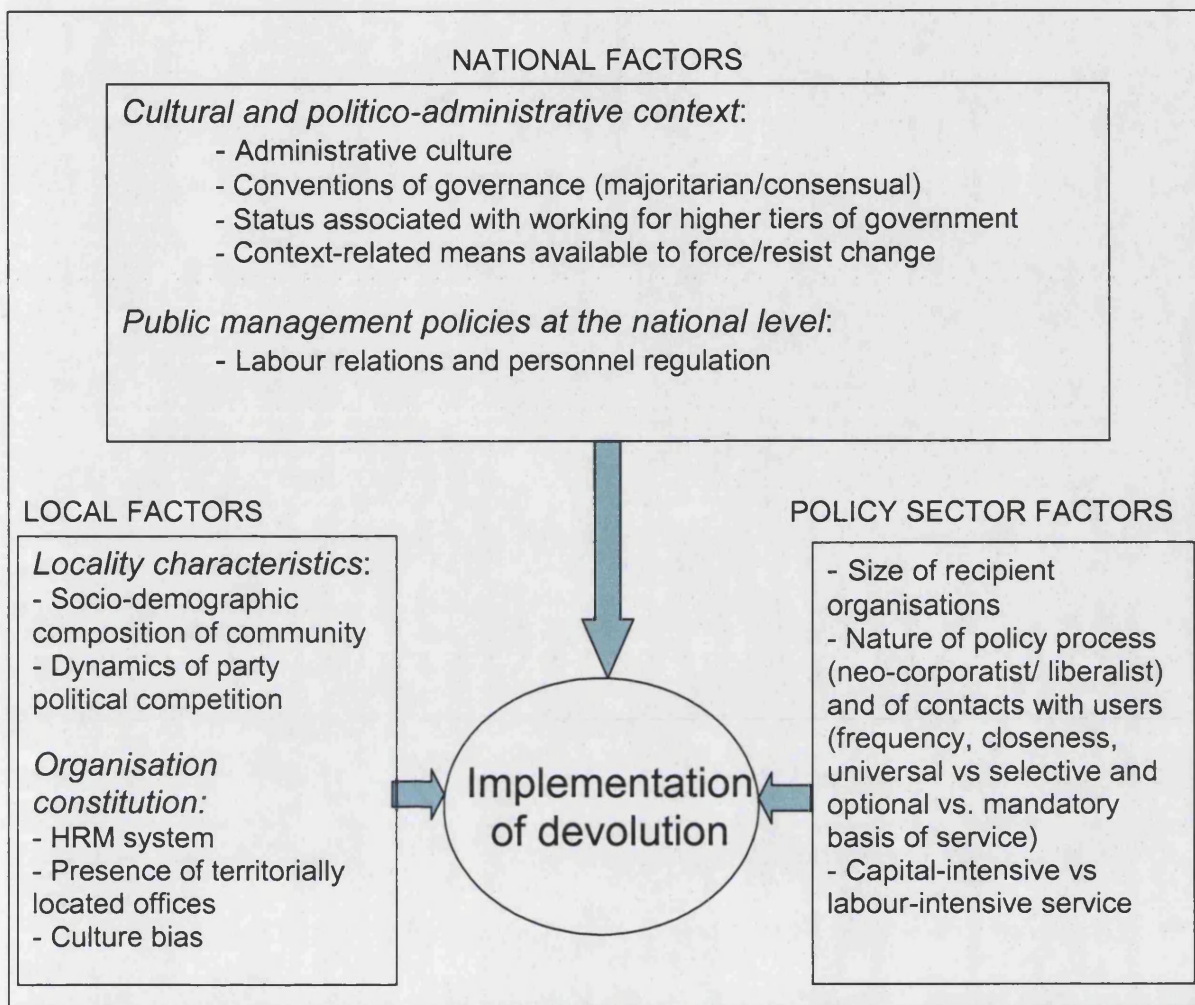
All in all, three macro categories of factors emerge as affecting in a decisive way the implementation of devolution. The first category groups together the culture of governance, the politico-administrative system of a country, and the status of the public management policy. They have been labelled "National factors", as they are country-specific and depend on the politico-administrative history of the nation. The second category has to do with the local characteristics. In Pollitt's work this is mainly a "geographical" concept, referring to differences across localities; in our opinion, it should be integrated with the features of the individual organisations (organisation constitution) involved in the process of decentralisation. The third category has to do with the service characteristics and more broadly the policy process in the sector in which devolution occurs.

Jointly, these categories of factors allow to sketch a sort of model of the "implementation habitats" of devolution (which seems indeed to be in many respects applicable to a broader set of decentralisation processes).

In Figure 4.1 factors in the three categories are listed: the question is how each of them operates, individually and by interacting with the other factors in affecting the implementation of devolution: different concatenations of such factors make alternative courses of events occur. Factors elaborated in the work of Pollitt are revisited and integrated in the light of the findings of the present study, and the results are subsequently illustrated.

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(public) Management is "the search for the best use of resources in pursuit of objectives subject to change" (the emphasis being on the relationship between objectives and resources) – the difference between the two notions lies mainly in the focus and orientation, not so much in the subject area. Dunleavy and Hood (1994) consider the two disciplines (public administration and public management) as providing a different mapping of the same field.



**Figure 4.1: outline of categories of factors affecting the implementation of devolution**

A general notation before proceeding with the detailed analysis in the next paragraph: we characterise the phenomenon in terms of *alternative courses of events*, which implies that these factors are not the only causes, and do not operate in a mechanical way; individual agency and individual organisations' management strategy do have a role in determining which concatenation of mechanisms is actually triggered. We did not investigate in this study the forming of beliefs in the individuals, nor the formation of the strategy in the devolving as well as the recipients organisations, but these processes are part of the explanation of the dynamics the of implementation of devolution (and other) reforms.

### 4.3 Analysis of individual factors

We start from the left box and examine the influence of local factors. As regards the socio-demographic composition of the local community, the argument is that a population mainly affluent and well-organised is likely to be in a stronger position either to support a reform or to offer “recalcitrance” to it; at the opposite, a community internally divided and with problems of deprivation is in a weaker position to make citizens’ views felt.

Such feature strongly interacts with the nature of contacts with users (the frequency – from remote to continuous - and closeness – from face-to-face to remote). Devolution in Lombardy was not so much felt by the community at large (though the delivery of the agricultural policy may have a strong impact on it), as it was by the very specific socio-economic group of the agricultural businesses. In this respect the broad features of the local community may have had an influence, but this must not be overestimated – especially when we consider devolution on relatively large, complex and differentiated territories (Lombardy has about 9 million people, and for size and complexity may in some respects be compared to a small country). The argument could be proposed in the terms of considering that if stakeholders are affluent and well-organised and the nature of contacts with users is continuous and face-to-face (in agriculture farmers have relatively frequent and often face-to-face contacts), then they are likely to be an actor having a stronger influence on the devolution process. Clearly such argument is quite weak if proposed in a stand-alone way – its influence should be examined by considering how these factors interact with the broader features of the decision-making process in the policy sector considered.

Turning to consider the nature of party political competition, at the local level and between local and national governments, there are multiple ways in which this factor can be characterised and its influence on reforms interpreted: Pollitt et al. focus the consensual-conflictual poles as features of the political scene at the local level and consider situations closer to the consensual pole as being relatively more facilitating habitats for implementing decentralisation reforms than circumstances characterised by conflictual politics. Indeed there is evidence that the sort of *pax augustea* introduced by the dominance of Formigoni on the Lombardy scene those years facilitated devolution.

Focusing that specific type of decentralisation that are devolution reforms, the vertical dimension (local-central) is likely to be significant too. A certain degree of political competition – between the central and regional governments, as well as among regions - may perform the function of setting and maintaining the issue of

the effective implementation of devolution high on the governmental agenda<sup>16</sup>. This seemed to be the case in the Lombardy experience – though also other factors may perform the function of setting and maintaining the issue of the effective implementation of devolution high on the governmental agenda. While it may be common knowledge that the making of an authoritative decision about a policy is not enough for it to be actually implemented, due to a variety of causes brilliantly investigated since the beginning of the '70s when the stream of studies known as the “implementation approach” - or simply implementation studies - was started in the USA (Pressman and Wildavsky, 1973; for an overview, Hill and Hupe, 2002), in order to better appreciate the importance of maintaining the issue of the effective implementation of devolution high on the governmental agenda it should be considered that in legalistic countries like Italy the enactment of the norm is what matters, much more than the actual implementation, a phase that usually deserves very little political attention. Moreover, and probably even more important, a likely behaviour by managers in charge of implementing devolution is retreating to the formal compliance of the tasks prescribed by the devolution law, and a substantive hollowing out of the reform by *de facto* overlooking the organisational implications for the effective performance of the devolved authority. In this sense, vertical political competition, by maintaining the issue of the effective implementation of devolution high on the governmental agenda of both the devolving and recipient level of government, may be interpreted as a factor forcing the implementation of devolution<sup>17</sup>. In fact, in the case devolution is on the political agenda of both central and regional governments, political competition may stimulate the quick adoption of the secondary legislation necessary in legalistic systems to carry out implementation (in the case, the regional law 11 in 1998 was the piece of secondary legislation that made devolution progress in Lombardy) and the appointment of entrepreneurial figures in the key positions for the devolution process to unfold<sup>18</sup>, hence it can affect the overall implementation process<sup>19</sup>.

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<sup>16</sup> Though important, the explanation of why (in what cases) devolution is set and *remains high on the governmental agenda over a long period* of time (a phenomenon that in another study has been generically referred to as the “background support” for the devolution reform, Guess, 2005) is beyond the scope of the present study.

<sup>17</sup> The concept must be distinguished from conflictual local politics, which is likely to hamper the reform.

<sup>18</sup> In the case of agriculture, this was the case, at least with regard to devolution from the region to local governments.

<sup>19</sup> However, it may be argued that a distinction must be drawn between political competition and politically conflictual relations, likely to hamper also the central-regional devolution process. We assume that whether politics is closer to the conflictual or the collaborative pole is a feature that tends to characterise in an enduring way a political system, while political competition about the policy issue of devolution is part of the dynamics of the specific policy-making process under consideration (Kingdon, 1994).

Considering the organisation constitution, the study has focused the importance of the human resource management system in the public entities involved in the devolution process. It affects the selection of the top officials conducting the devolution intervention, the alignment between tenured and elected officials and the room for manoeuvre for civil servants to conduct the intervention. However problematic is the linkage between performance-related pay systems, promotion by “merit”, flexibility (political discretion) in the appointment of top executives, and autonomy of managers, on the one hand, and the actual behaviours of top managers, on the other hand, there seems to be room for advancing the claim that a mix of these ingredients - under circumstances similar to those present in the Lombardy experience and summarised above - are consistent with entrepreneurial behaviours conducive to the effective implementation of devolution. As already pointed out, regulation of labour in the public sector and the HRM system in the devolving organisation also affect in a decisive way the set of options available for reallocating personnel, as was in the design of the reward scheme for the personnel to be reallocated.

The culture bias of the public sector organisation devolving authority affects the initial expectations of personnel about the likely outcomes of the devolution process in terms of the balance between benefits and costs for them. Organisational culture is here intended mainly as the set of assumptions prevailing in the organisation considered and determining its overall orientation – at the level of both the “explicit” values and, more in depth, the basic assumptions that permeate an organisation and are shared by its members (assumptions that are elaborated on the basis of the past experience of the organisation, and for a significant part have been shaped by the executive leadership); a key reference is Schein (1984 and 1985<sup>20</sup>); see also Doherty and Horne (2002) for a discussion focused on public sector organisations. It is also on the basis of these expectations that personnel will define their individual strategies in the face of the new circumstances. Prevailing values affect, *inter alia*, the sensitivity of the personnel to monetary rewards, and consequently how effective monetary provisions will be in terms of reducing resistance to transfer. Culture bias ultimately plays a role in determining the intensity of the likely resistance to transfer. In Lombardy, selection of staff to be reallocated focused on personnel particularly sensitive to monetary rewards.

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<sup>20</sup> Though it is relatively common - even in brilliant reviews of the history of organisational studies (e.g.: Bonazzi, 2000) – to consider the contributions of Weick and Schein as antithetic, we assume that they can and must be integrated for the effective understanding of the dynamics of complex organisational change processes.



Another element that emerged from the Lombardy experience concerns the “distance” between the set of values prevailing in the devolving and the recipient organisations, or at least in the portion of the organisation affected by devolution. It seems sensible to assume that the distance between the culture bias in territorially deconcentrated offices and local governments was relatively “low” (as was “physical” distance from a logistical point of view), while it was undoubtedly higher for personnel working in the regional headquarters in Milan, the core government of a public entity entrusted with legislative powers, much different from “service providing” local governments. It may reasonably be assumed that the larger the gap, the more difficult the integration of personnel in the recipients organisations.

An aspect related to the organisation constitution (and influenced also by the nature of the delivered services) is the organisational complexity: large and occupationally diverse institutions (like hospitals) can be contrasted with mono-professional, low-technology institutions like schools (to cite the kinds of institutions investigated by Pollitt et al., 1998). Agriculture seems to be in an intermediate situation (a variety of administrative outputs, but a limited technologically-driven organisational change). More in detail, organisational units (the “agriculture sector offices”) in charge of performing the administrative tasks are relatively complex recipient organisations; the mono-professional funding body that executed the tasks previously exercised by the analogous mono-professional national agency for the subsidies in agriculture seems to be relatively simple from an organisational point of view. The argument that the greater the organisational complexity, the higher the relative difficulty of the implementation process seems to be added confidence by the evidence of the relatively low level of managerial attention required by the process of devolution to the funding body compared with the higher level of managerial attention in the case of the process of devolution from regional to local governments.

Another aspect related to the organisation constitution that may be argued to have an effect on devolution is the expertise and organisational knowledge accumulated by the devolving entity in running the functions it is going to devolve. In the Lombardy case, the regional government had a relatively long tradition in the management of the agriculture policy field (as concerns the tasks it was going to devolve to local authorities). As an effect of this historical legacy, the organisational knowledge, partly embodied in well-consolidated organisational routines, may have provided “intangible assets” that facilitated the performance of interventions like the running of the tables with local governments and farmers’ associations, or the rapid development of the computerised inter-

organisational information system (SIARL), interventions that in turn provided a significance contribution to the overall implementation process.

Finally, we should consider financial, logistical and other resources available at the level of individual organisations, as well as the resources, if any, made available by the reform package and allocated for sustaining the implementation of the reform. They affect especially the process of personnel reallocation, in the terms of the “affordable” entity of monetary compensation that may be delivered to the personnel to be reallocated. The importance of the resources available must not be overestimated, as it is the activation of alternative concatenations of mechanisms that affects the devolution process, and even relatively large amount of resources may be unable to overcome resistance to reallocation or anyway alter the course of events<sup>21</sup>. Additional resources may be necessary for running the devolved public sector once it is established – though it should be added that – whatever the amount of resources required for implementing devolution (and assessing the costs of different designs of devolved settings is out of the scope of the present study) - the way the implementation process is conducted may affect the functioning of the devolved setting and the kind of collaboration and collaborative capacity among public sector organisations, hence at least in part its costs; the topic is discussed in chapter 5.

We can now move to the right box in Figure 4.1. - to the service characteristics which, in the present analysis, are encompassed within the broader category of the “features of the policy sector”.

Beyond the nature of the contacts with users, other characteristics like whether the service is universal or selective, and whether it is consumed on an optional or a mandatory basis, seem to have an influence on the degree with which users of services will become influential actors in the change process. Whether the service is universal (open to and used by all or most citizens) or selective (limited groups of citizens are the only recipients of services) seems to be significant with regard to the numerosness and internal cohesion of the social groups affected by the policy in which authority is devolved; broadly speaking, in selective services users are likely to be more influential. Similarly, whether the service is optional or mandatory affects the cohesion of the social group; in optional services users are likely to be more influential. These features somehow combine with the previous characteristic concerning the nature of contacts with

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<sup>21</sup> Though drawing policy design implications – like criteria for estimating the resources to endow a policy process with - is out of the scope of the present chapter.

users. Pollitt argues that an important difference is whether they are associated (like in education, in which associations of parents are relatively common, and in agriculture) or interact with the service provider on an individual basis (like in hospitals' services): if associated, users will be, *ceteris paribus*, a more influential actor in the implementation process. In agriculture, users of the services, that as we have seen are strongly connected to their associations, interact with the service providers collectively, and this is undoubtedly a reason of their influence. However, determining under what conditions users are likely to be more influential is the solution to just one problem. The key problem for the progression of a research agenda on the implementation of devolution is not so much under what conditions users of services are influential: it is *how* this influence can be wielded.

Analysis of the mechanism of brokerage may provide a contribution in the direction of a better understanding of how users of services – when in the condition of being a potentially influential actor – might actually affect the course of events. Assuming the point of view of the public managers committed to implementing devolution, the triggering of a mechanism of brokerage is a way in which public managers can link the agenda of such an influential actor to the devolution agenda. The design of the Centres for Agricultural Assistance (CAA) in the Lombardy experience was a consensus-building intervention that could have been activated also in the case attributions remained at regional level, but its significance lies in having linked it to the progression of the devolution agenda.

A distinction may be drawn between users and stakeholders – the latter being a larger category that includes all actors having a stake in the policy process. In the agriculture sector users are among the key organised stakeholders, and the distinction may be of relative importance. In other sectors, however, such distinction may be of central importance as influential stakeholders may be groups other than the users: in that case, the triggering of a mechanism of brokerage should be done by employing means different from engaging the users-stakeholders in service delivery, as in Lombardy.

Another useful distinction is the one between liberalist and corporatist policy sectors (Kickert, 1997, Kickert et al, 1997). In corporatist policy fields, stakeholders may be subdivided quite easily into two categories: those performing a central role in the public decision-making process, and those substantially excluded or with limited influence on it. Agriculture in Italy is a corporatist sector (as is agriculture more broadly all over EU countries, see Rieger, 2000) and the linking of the agenda of the three key associations representing almost the entirety of agricultural businesses with the progression of

the devolution agenda contributed to its implementation. In non-corporatist policy domains, the identification of stakeholders may be more difficult and their influence on the policy process radically lower<sup>22</sup>.

Another factor considered in the analysis of Pollitt is the time scale of the relationship with users – that, for example, is long in schools, a sector in which the interactions between providers and users (students and their parents) unfold over cycles of many years, and short in the case of hospital services, in which many services (though by no means all, if we consider the patients under long-term treatments) are consumed on a one-shot basis. Time scale of relationships with users in agriculture is in an intermediate position: farmers on the one hand have long term relationships as regards some types of public interventions, but on the other hand an important part of services (as the case of subsidies given for specific purposes) is consumed on a short term relationship basis. Again this feature may affect whether users will be an influential actor in the implementation process – but it evidently combines with the broader features of the policy process, agricultural businesses having a stronger influence on the policy process than pupils' parents because of the corporatist nature of the policy sector.

Pollitt et al consider also size in the range of factors affecting devolution. The issue of size is relevant as a design feature of the devolution intervention, affecting its feasibility; more problematic is the influence of size on the dynamics of the implementation process<sup>23</sup>.

An aspect closely related to size is whether services are capital-intensive or labour-intensive. The argument is that capital-intensive services may require a sort of “critical mass” for the service to be delivered at a decentralised level, at least in the sense that the equipment required for the delivery of service must be available at the decentralised level (a result which may be achieved also by establishing forms of joint utilisation of the resource, and not necessarily by duplicating the equipment in all the decentralised units), though the issue appears to be more relevant as a feature in the design and analysis of feasibility of the devolution intervention, while problematic is determining its influence on the dynamics of the implementation process. Considerations in part analogous

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<sup>22</sup> Roughly speaking, focusing OECD countries, public policy making processes patterned according to the liberalist model tend to prevail in Anglo-Saxon countries, while in continental European countries the policy making process is, in many though by no means all the policy sectors, patterned according to corporatist logics.

<sup>23</sup> Selection of the provincial, and not the communal, level of government was a key guideline of the Lombardy regional government devolution policy: municipalities were considered too numerous (there were 1524 municipalities in the Lombardy territory), and on average too small in size to perform the functions in agriculture – only associations of municipalities (i.e. the mountain communities) were devolved a limited range of tasks.

can be made as regards the feature of the “technological embeddedness” of the service, i.e. whether service delivery is radically dependent on a technology and its evolution.

Finally, the third category of factors is the one we have labelled “national factors”. They have been long discussed in the first paragraph; for this reason, treatment of such factors is correspondently brief in this section.

A major dichotomy is between systems characterised by majoritarian and consensual conventions of governance. As already discussed, the argument is that the implementation of administrative reforms is more intense where the nature of the executive government is mainly majoritarian.

The administrative culture is another factor having an influence on the intensity of devolution. The reason seems to be twofold. First, the centrality of administrative law could lead to a “formalistic” implementation of reforms; reforming may be considered more about changing laws (i.e. the ways things should work), than changing the way of functioning of public organisations (i.e. the way things work – on the point of the influence of the administrative law cultural paradigm on the implementation of administrative reforms see chapter 3 and the contribution of Capano, 2003). It may also be argued that the implementation of administrative reforms in general in countries based on the administrative law meets an additional problem. Once a major reform act is established, implementation has to be carried out by adapting, at the different levels of government, the secondary body of laws which regulates each sector. In such a context a good reform package is not enough. Some interesting empirical evidence comes from the Italian case: after the major reform act (law 59/97), four acts had to be promulgated for the detailed regulation of relevant policy sectors; then, every regional government had to implement the reform through the promulgation of regional laws for each sector. This process, all in all just a legally binding pre-condition for the devolution process to be implemented, was not entirely completed at the end of 2004 – though it should be added that this broad issue is out of the scope of the investigation.

We have already examined how the status associated with working for higher tiers of government is influential, and the relevance of the means available to staff to resist change and to top executives to force reallocation. They combine with the regulation of personnel and labour relations in influencing reallocation of staff, and provide part of the explanation of why and how momentum of the devolution process may be sustained.

#### 4.4 Discussion of findings and main limitations

In the previous paragraph a tentative integration of the findings of the Lombardy case study with previous contributions in literature has been elaborated, with the purpose of outlining a framework of factors affecting the dynamics of devolution and decentralisation, and proposing some tentative arguments about how such factors operate.

More robust confirmations to the theorisation proposed about the hypothesised concatenations of mechanisms could be drawn by undertaking comparative studies of experiences of devolution in countries with a similar politico-administrative system, more consolidated majoritarian conventions of governance (France and Spain – Italy being in an endless transition since the 1992-94 crisis, see Pollitt and Bouckaert, 2004), different degrees of political competition (like in the Spanish case where Catalonia and Basque regional governments are in tough political competition with the central government, differently from other regions) and a different status of human resource management systems in different regions.

In interpreting the limitations of the claims proposed, it should be taken into account that Italy is a case of devolution to already existing institutions – the dynamics of devolution may be radically different in case the regions are jointly established *ex novo* (“institution building process”) and devolved authority, as was the case of the Scottish experience of devolution in the United Kingdom (and the Welsh experience, though in that case devolution was much more limited in extent), or some recent experiences of devolution in Central-Eastern European countries (Brusis, 2002).

In considering the findings so far, the specific contents of the design of devolution in Italy and specifically in Lombardy should be considered, which add to the limitations of the study. Processes of devolution are deeply affected by the specific features of the design of the reform: the “reform package”. Differences may arise from the contents of what is devolved, whether decision powers (the authority of enacting laws or issuing regulations), or service delivery tasks, or both; moreover, tax collection may remain centralised, or at the opposite taxation powers may be devolved too. The devolution from the central government to the Lombardy regional government included some decision powers and a number of administrative tasks (delivery of financial subsidies to agricultural businesses; control over proper spending of subsidies and on production processes in agriculture businesses; the setting of health standards, etc.); no personnel was

reallocated from the central to regional governments (differently from the massive reallocation of personnel from the region to the local governments), but some money to compensate for the costs in running the new tasks were delivered. The regional government devolved to local authorities limited decision powers (mainly the list of issues that the provincial rural development plans could regulate), a significant amount of administrative tasks, including the case management of farmers' applications for eligibility to CAP and Rural Development Plan funding, the execution of on-the-field inspections, the delivery of a number of services. It was not a case of devolution of taxation powers.

Moving from the contents of the reform package (what is devolved) to the *modes of implementation* prescribed by the reform package (how should devolution interventions unfold), design of the reform may in this respect refer to aspects like (Pollitt and Bouckaert, 2004, pp. 93-96, Guess, 2005) the systems for implementing the package (Have new organisations and structures been created specifically to advance the reform? Has a system for monitoring the implementation been established? Have training initiatives been activated for the personnel affected by devolution?), the sequencing of the phases of devolution, the guiding ideas of the reform. In the Italian case, the answer to the first question about whether specific systems were set to work for implementing devolution is basically negative as regards all three the aspects (organisations specifically established to advance the reform, training initiatives, monitoring system), though there were partial exceptions regarding the monitoring system (an example being the elaborations produced by the general accounts office and the ministry for regional affairs, like the one reported in Table 4.1). The sequencing of events was mainly dictated by the internal juridical logic: the "framework" law (59/97) being followed up by the delegated decrees issued by the government by groups of policy sectors.

The design of devolution by the Lombardy government differed from the national design for the existence of a monitoring system (the Observatory on the Administrative Reform and Federalism) active on the scene since the very beginning of the devolution process, and the emphasis on training initiatives (reported in chapter 2). No specific organisation (with the exception of the Observatory, who acted in part also as a catalyst of some interventions in the devolution process) for implementing devolution was set to work. Sequencing was improvised: the sector of agriculture (and to a more limited extent the sector of training for job) became the shop-window of how the regional government of Lombardy was making the devolution agenda progress in a substantial way. A

guiding idea was the conception of “Lombardy as *the* region of subsidiarity<sup>24</sup>” (implying a competitive relations with other regions in Italy, as well as with the national government).

Another key feature in the design of the implementation process is the amount of resources available to finance it. They were in general very limited, given the strains on the public budget due to meeting the convergence criteria for joining the European single currency. However, the field of agriculture, that relies on conspicuous EU funds, and commits national states to the agreed (at the EU level) budget of public spending for the sector, is comparatively “rich”. Thus, in the sector financial resources were available at satisfactory levels. The issue of the *financial* dimension of the conduction of the intervention of devolution is briefly discussed in the final part of chapter 5.

Limitations identified may suggest future lines of development of the research for improving our understanding of the dynamics of the organisational transformations in the implementation of devolution. Another significant question is how to utilise knowledge about factors at work (affecting how alternative courses of events may unfold) in order to produce a practical knowledge that can enlighten the policy-making process and support public managers in conducting interventions of devolution in different contexts. This final and central question is addressed in the subsequent chapter. The aim of this research effort is to draft a “menu of practices” that can be employed in conducting the implementation process – and that might also provide some insights for the design phase of a devolution reform<sup>25</sup>.

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<sup>24</sup> The ideological basis lied in the specific interpretation elaborated by the movement of Communion and Liberation drawing on the social doctrine of the Roman Catholic Church, though, as we have seen, scholars of different ideological background from a number of universities contributed, in the capacity of advisers, to the works of the Observatory.

<sup>25</sup> In fact, knowledge provided in the next chapter in terms of practices, besides being employed by managers in the implementation phase of devolution (main purpose), may also inform the pre-decision and decision phase of the policy-making process (especially the alternative-specification process) as regards the inclusion of conditions facilitating the functioning of the practices in the design of the modes of implementation of the reform. Also, they can enlighten policy-makers about the feasibility of the implementation of different options of the policy package.



## 5. The management of devolution processes: practices

### 5.1. Introduction

In the previous chapter, the main focus has been on developing a social science understanding of the dynamics of devolution processes, based on the analysis of the Lombardy experience of devolution. This kind of knowledge can now be oriented to address the issue of *how* top executives can shape the process dynamics of the organisational transformations occurring in public entities in the implementation of devolution in such ways to perform policy delivery efficiently and effectively after the conclusion of devolution. Contributing to the advancement of an agenda concerned with lesson-drawing for public management in the context of devolution is a key goal of the research undertaken in the present work; the research question: “how should the strategic apex of public entities devolving authority lead an intervention of adaptation of public sector organisations to devolution?” is directly addressed in this final chapter.

The main issue regards what *practices* can be employed by top executives for leading an intervention of devolution in such ways to establish a devolved setting in which policy delivery is effective (given the circumstances they operate in, and the specific features of the devolution policy package).

The first issue addressed regards how to conduct the extrapolation of practices from the experience investigated. A specific approach (the *smart practices analysis*) is introduced and discussed in the light of recent criticisms addressed to current research conventions in public management (paragraph 5.2). Drawing on the understanding of the Lombardy experience acquired in the previous chapters, a menu of practices for the management of devolution processes is elaborated (par. 5.3). Limitations are discussed and some broader issues concerning the management of devolution processes are examined (par. 5.4). Some concluding remarks about the path covered in the present study are proposed.

## 5.2. How to conduct extrapolation: the smart practices approach

### 5.2.1. *The problem of extrapolation*

A recently revived debate on the “best practice research” (Bardach, 2004 and Barzelay, 2005; see also Bardach, 1994 and 1998; Lynn, 1996; Overman and Boyd, 1994) has raised the issue of whether current research conventions in public management are effective as regards the identification and supple elaboration of “best” practices to be used for addressing key problems in the management of public sector organisations, i.e. whether analysts in public management can properly address the “extrapolation problem”: improving the performance of public sector organisations in one situation (target site) by employing experience acquired elsewhere (source site). Learning from second-hand experience (the extrapolation problem) is more complex than ascertaining whether a given practice is effective in the source site (the evaluation problem); it is also more complex than editing lists of practices that have been deemed to be effective in the source site; extrapolation is the process of learning from vicarious experience and designing practices fitting the (new and diverse) circumstances to which the practices are to be applied.

In the present work, we address the methodological problem of how to conduct extrapolation by adopting a sophisticated method, the “smart practices” protocol of organisational analysis (Bardach, 1998), identified as an approach capable of addressing the main issues raised in the debate about current research conventions in public management. The first issue is the excessive emphasis given by many analysts in public management on generic “principles”, or generic “instruments”, without an adequate understanding of how the system (on which the principle/instrument intervenes) works. At the core of the smart practices analysis there is the strong integration of the “technical”, *design dimension*, the understanding of the results that should characterise the operation of a practice truly apt to solving a managerial problem (how the practice works and what results it produces), with the *motivational and behavioural dimension*, the understanding of how the practice was activated and became mature (how the practice can be set to work, so that it can produce expected results). Champions of the smart practices approach argue that works in management literature too often underestimate the innovation process. Another qualifying aspect is that this method carefully relates practices to the context conditions to which their performance is sensitive, thus avoiding inaccurate generalisation of the domain of applicability, i.e. the error of elevating to the status of “best” some practices that are instead applicable only to a very specific

set of circumstances. The assumption is that this protocol of analysis, though it too has some risk areas that are discussed subsequently, is capable of answering serious criticisms commonly addressed to the “conventional” research on best practices. In fact, “[T]he goal of “best practice” research – namely widening the range of solutions to [social] problems – is simply too important to defer, even though the supporting methodology has been frustratingly slow to develop” (Bardach, 1994, p.260). The quotation from Bardach highlights the emergence in the academic debate of a serious disappointment about success-centred research on public management. At the same time, it stresses the importance of what is at stake: understanding success in order to enlighten public policy-making related to public management.

A severe criticism has been addressed to a strand of literature, typified by Behn’s *Leadership Counts* (1991), that had emerged from US public policy schools in the late ‘80s and early ‘90s (see Barzelay, 2000, p. 250) and has been classified by one of its main critics, Lynn (1996, p. 140), as “best practice research” tradition. In proposing the “smart practices” approach, Bardach makes his own criticisms to success-centered research on public management.

In this work it is argued that the smart practices analysis proposed by Bardach, on the one hand, provides convincing answers to the major criticisms of success-centred research and represents a strong contribution to the issue of understanding success in public management, while, on the other hand, it presents two “risk areas” that researchers engaged in such research programme have to deal with. In order to support such line of argumentation, it is necessary to dwell on the topic and, first, consider the criticisms to success-centred research and, second, identify the potential and limits of the smart practices approach.

### *5.2.2. An outline of the criticisms of success-centred research in public management*

One, harsh, criticism to the best practice research conventions is in Lynn (1996). His criticism is basically concerned with the lack of theorised knowledge that he finds in the strand of scholarship emanating from US public policy schools in the late ‘80s and early ‘90s.

The structure of the criticism can be outlined (although in a very stylised way) by examining the treatment made by Lynn of the case of the “Illinois Department of Aging” (summarized in Lynn, 1996, p. 139ff.). The case narrates the successful renewal of the department by its new director, Victor Wirth, who succeeded in

refocusing the operations of his department on client service, while complying with the governor's directive to cut the department budget.

In the case, the approach of an "archetypical" best practice researcher is compared by Lynn with his own approach in explaining why Wirth was successful. In Lynn's approach, analysis of the case must be underpinned by a strong theoretical framework in order to gain a robust insight in the internal dynamics of the system under observation (step 1). In the case, game theory was employed and the division managers proved to be the key obstacle to achieve a client-oriented outcome for the agency as a whole.

The understanding of the internal dynamics of the system allows the identification of the levers available to the decision-makers in order to affect the behaviour of the system (step 2). Provided that the decision-makers somehow prioritise their set of preferences, in order to "weigh" the outcomes of alternative interventions (step 3), a course of action can be identified (step 4), well grounded in the insight into the dynamics of the system provided by the employment of theorised knowledge.

Lynn then makes a comparison with a "standard" explanation that might have been provided by a "best practice researcher": Wirth's success was due to the emphasis on customer satisfaction or, in other words, on the application of the principles of "having a specific, clear goal" and "walking around and reiterating his goal until it was understood and adopted". In Lynn's words (p. 135): "I doubt that practicing managers will find more than superficial inspiration [in generic 'principles' as those listed above] when confronting management problems". Practitioners not equipped with theories<sup>1</sup> will not be able to move from a "best practice" management principle to the identification of the actual levers to employ in order to affect the behaviour of the target system (in the case, the Department of Aging). Thus, the subsequent steps that lead to the identification of a course of action become impossible.

Bardach's criticisms, although quite different from Lynn's, share a common concern about the fact that best practice research proceeds without sufficient methodological self-awareness or, when awareness is present, success<sup>2</sup>.

In this line, a first criticism (hereafter referred to as *criticism a*) draws on the results of Overman and Boyd (1994), who showed that in many cases the best practice research is "a-theoretical, unsystematic, generalises beyond the instant case without warrant and disregards tough questions about whether even in the

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<sup>1</sup> And, indeed, also with a strong framework that can make them capable of selecting, in different situations, the proper theory to be applied to the contingent case. As argued in the subsequent section, smart practices analysis can provide a different strategy to equip practitioners with instruments to tackle this difficulty.

instant case the alleged best practice is really responsible for any observed success". Thus, lack of extensive, theory-driven empirical testing is a first criticism (Bardach, 1998, p. 56).

A second criticism (*criticism b*) is about the method employed by best practice research approaches for the identification of "solutions" to problems. A flaw lies in the way the question is posed: "What works? [...] the rhetoric standard solution-seeking question is not well posed; it seeks too big an answer at once [...] it would be better to decompose it into two questions, one nested into the other" (Bardach, 1994, p. 263). Thus, the point is that in the research for practices "that work", a first step lies in the understanding of how the system operates at all. In this way, an insight can be gained about the sources of high performance as well as about the modes of failure. A weakness of best practice research is that it shows too little insight into the nature of the opportunities of which the practice tries to make advantage (the qualitative strengths of the practice). Only once features of the opportunities have been analysed, the second question: "how can we make the system work better" can be fruitfully addressed. Setting the problem in terms of exploitation of "opportunities" means that potentialities are at the core of the analysis. But focusing the analysis on potentials and the exploitation of potentialities requires, according to Bardach (1994), the adoption of different epistemological bases "to recognize the limits of falsifiability as a test in model validation and to elevate tests involving fruitfulness, the capacity to organize data, and the ability to evoke surprise. [...] A different research programme may suit for public management". The point is illustrated by making systematic reference to the physical sciences. For example, the concepts of potential thermal energy or potential kinetic energy are concepts ordinarily employed by physicians and engineers. Analogously, Bardach argues, the concept of "latent potential", which is not wholly absent in social sciences, could and should be used more in public management.

Before illustrating the smart practices approach and how it could address the issue of the exploitation of potentialities, a third criticism emerging from Bardach (1994) has to be reported (*criticism c*). Identification of best practices is a difficult task for researchers; in order to be "best", a practice should be truly better than many or most of the practices: a rare thing, difficult and expensive to find, and, especially, likely to fit only a limited range of cases (characterised by the specificity of local resources and constraints). Thus, if in addition to the feature of "being truly better", we intend to characterise "best" also as "being applicable to a wide range of cases", then the combined application of the two criteria makes

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<sup>2</sup> Bardach, 1994, p. 260.

“detecting” a best practice a highly difficult and expensive task; awareness of this seems to lack in most of best practice research tradition.

### 5.2.3. *The analysis of smart practices*

A practice can be conceived as a means to exploit opportunities, a method of interacting with a situation that is intended to produce results; what makes a practice smart is that the method also involves taking advantage of some latent opportunities for creating value; the overall value of a smart practice represents the net difference between the value of the opportunity itself and the costs, risks, vulnerabilities of the practice that exploits it (Bardach, 1998, p. 36 and 38).

In order to better figure the way smart practices research operates, an analogy can be drawn with the process of reverse engineering that “in its simplest form finds an amazing gizmo, takes it apart, and tries to figure out the clever trick that makes it work so well. [...] It may be noted that such a process, far from being simple and immediate, can involve a complex process of theoretical reasoning. Furthermore, the analogy must not be “stretched” too far: differently from the ordinary work of engineers, “smart practice analysis lack the capacity to thoroughly break down and reconstitute the gizmo<sup>3</sup>, [...] or does it have access to the body of scientific and technical knowledge that permits engineers to arrive at a realistic understanding. Furthermore [...] for an engineer to generalize beyond the specimen at hand is often straightforward” (Bardach, 1998, p. 41).

A qualifying aspect of smart practices analysis is its focus on developing an insight into the way a given system works, in order to understand causes of high performance as well as modes of failures. At the core of smart practices analysis is the understanding of how features that constitute the design of a practice interact with one another in order to produce success or failures. Another qualifying aspect of smart practices analysis is that it combines “design” issues (analysis of the logic and mechanisms underlying the functioning of the investigated system) with a strong attention to individuals motivations and belief formation mechanisms. Change can come only by jointly considering the two sides<sup>4</sup>.

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<sup>3</sup> The point is that the reverse engineering process takes place in “laboratory” conditions that cannot be entirely reproduced in social science investigations.

<sup>4</sup> In a passage stressing especially the importance of individuals motivations, Bardach notes: “I was also interested in variants of the generic smart practice, that is, different ways of implementing the smart practice that get slightly different results and serve as a *menu of options for actors working in different contexts* [...] The most important variations in context have to do with key actors’ *willingness to accept certain side-effects, run certain risks, or achieve certain subsidiary goals*; the fiscal and partisan constraints on action; the *career aspirations and personality characteristics* of key individuals (my emphasis)” (Bardach, 1998, p. 58).

Applications proposed by Bardach of the smart practices analysis regard the problem of the development of forms of collaboration among public agencies, notably on the development of “inter-agency collaborative capacity”. Although extremely broad and relevant, this is only one category of smart practices. A development of smart practices approach is proposed by Barzelay and Campbell (2003) with reference to strategic planning and policy management in bureaus. The authors propose an operationalisation for conducting smart practices analysis, by identifying for each activity the related *process design features* and *process context factors*, and analysing the respective relations (that is, the way process context factors affect the functioning of process design features). The analysis of process context factors allows the identification of the “domain of application” of practices and enables the development of the research on a plurality of categories of smart practices. Such methodological innovation is taken up in the present work.

#### 5.2.4. Answering criticisms

Does the smart practices approach answer the criticisms illustrated above? With regard to Lynn’s criticism (and to a large extent to Bardach’s criticism a) - concerning the lack of systematic employment of theory in order to get an insight into the dynamics of the organisation or system whose performances have to be improved - smart practices analysis provides a powerful approach by employing a reverse engineering “protocol” of analysis. A reverse engineering process is at the same time capable of making an intense use of theorised knowledge and of being very selective in it (in other words, of making a “cheap” use of theorised knowledge). This is possible since its starting point is the breakdown of the “practice that works”: it is the analysis of the relations among components of the practice that “leads” to the selection and employment of the proper body of theorised knowledge.

Criticism b) is about the method employed for the identification of solutions to problems. As noted above, the smart practices approach is construed and operationalised in order to systematically relate the (candidate smart) practice to the nature of the opportunities it seeks to exploit. By employing the concept of potentials that can be activated in order to manifest their causal power, and by looking systematically for them, smart practice analysis broadens the range of solutions to problems. Grounded on the analysis of the different ways in which a practice interacts with a situation and *can* produce (i.e.: it has the potential of producing) differentiated results (success as well as failures), categories of contingent solutions can be identified.

Smart practices analysis addresses also the issue of the difficulty and “expensiveness” of identifying truly “best” practices (criticism c). Scholars engaged in this research programme will systematically relate identified practices to the process context factors in relation to which the practice allows the successful exploitation of opportunities. The analysis of process context factors (which is, in general terms, lacking in best practice research literature) enables the employment of the practice in its proper context, thus moving beyond the alternative of either having a best practice available (something which is very difficult), or being left with no instruments to deal with a problem. In this way, scholars as well as practitioners can be provided with sets of candidate smart practices to be employed and whose variants can be tested in further empirical work.

A further question can be raised: is it at all impossible to talk of “best” practices in a research programme based on the smart practices approach? An answer is that some practices could emerge not only as performing better than most of the others, but also as applicable to a wide range of situations and dependent only on very broad process context factors: as such, and only in this sense, they could be “elevated” to the status of candidate “best” practice - to be tested in further empirical work.

Do the above arguments provide thorough answers to the criticisms addressed to the best practice research? Bardach’s smart practices analysis appears to be very strong with regard to criticism c), while presenting two potential weaknesses, or at least two “risk areas”, that can be related to criticisms a) and b).

A first risk is to make the practices under analysis too much “intrinsic” to the case, thus facing the criticism at the opposite of the spectrum with regard to criticism a), but along the same dimension: while best practice research generalises with too little care, smart practices analysis could “over-contextualise” practices. This first risk area is at the level of operating smart practices analysis in ordinary research work; it does not lie in the conceptualisation of the approach. A careful identification of the process context factors that really affect the design of the process is an antidote to this possible drift.

The second risk area is mainly concerned with the conceptual issue of the exploitation of potentials. A practice is smart even if it failed in an actual (“historical”) case to exploit a potential, provided that this was due to uncontrollable circumstances; in other words, exploitation was missed by chance, not because of an inherent flaw in the practice. While this is coherent with the perspective adopted by the smart practices analysis, a risk is that it might



become difficult to sort out what to elevate to the status of smart practice and what not (can we really state that, if the accident Z - a random event - had not occurred, the practice X would have exploited the opportunity Y?). This risk may occur especially in analysing variants of a smart practice. This is a critique directed to the epistemological basis of smart practices (which averts from strictly "positivistic" approaches), that in turn is a response to the criticism b) addressed to best practice research (i.e., that it shows too little insight into the nature of the opportunities of which a practice tries to make advantage). The task of treating potentials that, differently from the potentials managed by physicians or engineers, are extremely difficult to measure could find inadequate tools available in current research methodology. Strict protocol of testing cannot be met: thus, identified practices could be drawn too heavily on the subjective perceptions of the researcher.

Identified risk areas, in our view, do not undermine what has been argued previously, i.e. that the smart practices analysis represents an improvement in understanding success in public management. They basically work as *caveat* for researchers engaged in this research programme; the first one works as a reminder for researchers in their ordinary research activity; the second one is a substantive issue that demands to develop and/or improve some forms of measurement in dealing with potentials.

### **5.3. The management of devolution processes: practices from the Lombardy experience**

After the devolution of functions and the acquisition of new ones, the "operations<sup>5</sup>" of the agriculture directorate general of the Lombardy region were deeply changed. Core tasks consisted of supporting the deliberative processes of the competent organs and running the broad set of activities put under the label of "steering and advising the local governments", while only a limited set of services remained under the direct provision of the regional government, mainly the delivery of subsidies, a task executed by the newly established regional funding body.

Implementation of devolution requires to change the programmatic activities executed by both the devolving and the level of government recipient of attributions, to adapt the organisational arrangements to the performance of the

new programmatic activities, and to reallocate the resources and especially the workforce where necessary. The Lombardy case is significant as regards all three the categories of case outcomes. How could the course of events that occurred in Lombardy be triggered in other circumstances? How can some practices - working "generally" in processes of devolution – be extrapolated from the Lombardy case?

In order to address the questions, we start by considering the course of events that led to a specific but important outcome of the Lombardy experience: the reallocation of workforce to the level of government recipient of the devolved tasks. In chapter 3 we addressed the question of explaining the scale of realignment of the workforce from the region to local governments, and the fact that it was a smooth, unchallenged process that unfolded over a short period of time – a puzzling outcome especially if it is compared with the numerous contemporaneous failure cases occurring throughout Italy in the implementation of the national law on devolution. To explain such case outcome, we employed at first a rational choice approach and interpreted the story as follows. The starting point was the fact that overall costs exceeded benefits for the personnel to be transferred to local governments. In order to counteract resistance to reallocation – likely to be effective, given the means provided by the context - top managers operated a range of interventions. Besides the careful selection of personnel, by itself probably insufficient, the top management attentively induced the forming of a belief about the inevitability of the process of devolution. The forming of a belief about the inevitability of the process of devolution deeply shaped the alternative-specification phase of the decision-making process by making a number of people restrain the consideration of alternative courses of action and rule out those associated with the non-implementation of devolution (which, though preferable, came to be considered as impossible). It remains to be explained how this affected the *whole* of the people to be reallocated. The forming of a belief about the inevitability of devolution worked in concatenation with another mechanism operating at the individual level. The hypothesised mechanism for the explanation of the smooth transfer of personnel is the operating of a threshold-based behaviour. In brief, the acceptance of the transfer by some individuals (whether because the monetary rewards made benefits exceed costs or because resistance was deemed as an impossible alternative) increased the proportion of people willing to participate, thus induced the final acceptance by the others; in other words, the fact that a significant part of the people to be transferred

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<sup>5</sup> In Mintzberg's terms (1983), referring to the activities directly addressed at producing an organisation's outputs.

accepted the new situation may have induced others to participate; the increased proportion of the group of people willing to participate to being reallocated, in turn, induced somebody else to participate, and so on. Finally, it has been argued that the triggering of mechanisms of rational imitation was made possible also by the contemporaneous inhibition of a mechanism of attribution of threat. The attentive creation of the perception of remaining part of the regional network and the perception that their integration in the local governments would be made as smooth as possible was facilitated by the transplant of administrative procedures from the region to local governments that contributed to inhibit, or at least attenuate, potential attribution of threat to the new situation by the staff to be transferred.

Findings can be summarised as follows. The careful selection of personnel and the provision of correspondingly suitable incentives (determined according to actors' utility) created conditions that attenuated the disadvantages for the personnel to be reallocated. The forming of a belief about inevitability of devolution concatenated with some form of social mechanism of rational imitation at the individual level, and the contemporaneous inhibition of the mechanism of collective attribution of threat, eliminated, or at least strongly attenuated, the resistance to realignment by workforce.

How could such practice work "more generally"? The practice counteracted a likely chain of events according to which calculation of costs and benefits associated with devolution by the personnel to be reallocated would lead to resistance towards the reform which, at least given the means – ranging from lobbying to going on strike – available in Italy to resist transfer, could lead the overall reform to a halt. On the contrary, the forming of a belief of inevitability about devolution and the triggering at the individual level of a threshold-based mechanism made the reallocation process gain momentum and eventually be completed, over a short period of time, in a smooth way. The combination of inducing a belief of inevitability, the careful selection of personnel to be reallocated, and monetary incentives performed the function of reallocating the personnel. The point is that the move to another level of government affects the "implicit contract" between the personnel and the employer organisation. The practice intervenes on the system by constraining the available decisional alternatives and making a number of individuals exclude the "resistance" option; the triggering of a threshold-based mechanism leads to reducing the convenience of resisting the transfer for a larger and larger proportion of personnel, hence leading to the smooth implementation of the process.

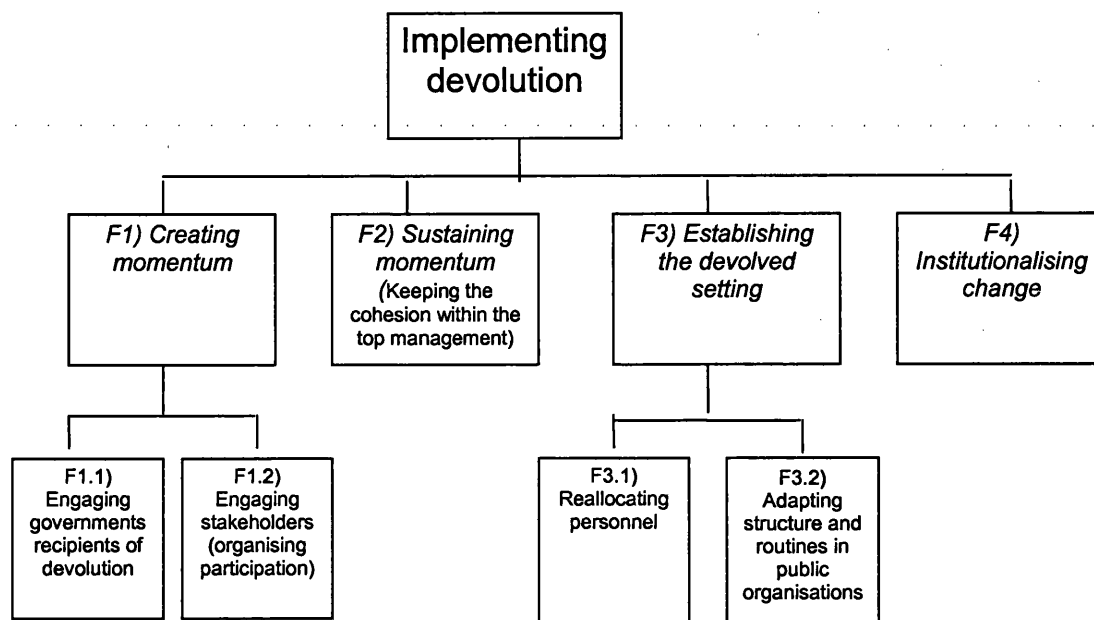
The functioning of the practice occurs under some relatively specific circumstances (or context factors). First, reallocating personnel across levels of government is a problem in countries in which working for a higher tier of government is associated with a higher status, and better contractual conditions – if this does not apply then the process may be smooth simply because people are “willing” to be reallocated to a lower level of government. Second, preferences structure of personnel (those selected for reallocation in the larger number of the staff of the devolving organisation) affects the relative weight of monetary incentives and overall the balance of costs and benefits for personnel to be reallocated. Third, perception of inevitability can be induced only if circumstances “make it credible”.

For all these reasons, it should more properly be stated that the practice has “the potential” of intervening on the system in the way illustrated – though it may be noted that even little differences in context may inhibit the actual triggering of such course of events.

Moreover, variations in the practice, like e.g. whether a block transfer of personnel is put into effect, as in the Lombardy case, or a gradual transfer of personnel, occurring in subsequent phases, is chosen, may significantly affect the way the practice works. Block transfer over a short time period may facilitate the forming of a belief of inevitability, or at the opposite hamper it if too small a proportion of the people selected for reallocation has a sufficiently low threshold. The gradual transfer over the time period of devolution may allow circumventing the situation of too small a proportion with a low threshold in the overall contingent of staff, provided that a careful definition of the composition of the lots of personnel to be reallocated is made, but it might facilitate the activation of persistent patron-client networks, which in turn may lead to some of the personnel avoiding the transfer. Furthermore, some interventions as the automatic promotion of personnel to be reallocated may determine side effects like a perception of being superseded in the staff already in the payroll of the local governments – hence another source of resistance in another *locus* of the policy subsystem.

The practice examined is capable of leading to an important outcome of the implementation of devolution as the reallocation of personnel, thus performing an important function. A question is what other functions lead to the overall implementation of a devolution exercise (functions can in this respect be defined as sub-processes of the overall change process that need to be performed if the overall change process is to be implemented, see also Barzelay and Campbell, 2003, chap. 5). As a first step, functions leading to the changes in the

programmatic activities, the structural arrangements, and the reallocation of resources and especially personnel, can be characterised, in a very conventional way, as in Figure 1.



**Figure 5.1: functions in implementing a devolution intervention**

In fact, complex change processes unfolding over a long a period of time require momentum<sup>6</sup> to be gained (function F1) and sustained (F2). Engagement and support by public and private stakeholders of the process (in the case, local governments recipients of the devolved tasks, and farmers and their associations) is central for achieving momentum, as well as for sustaining it<sup>7</sup>. Sustaining momentum over a long period of time also requires keeping the cohesion within the top management in the organisation leading the intervention – in the case, the Lombardy regional government.

Performing the new programmatic activities requires the reallocation of resources – personnel being especially critical – and the adaptation of structure and routines in the public sector organisations that have changed their programmatic tasks (F3).

<sup>6</sup> In this frame we refer to momentum in a broad way, as a set of interconnected causal scenarios.

<sup>7</sup> Such process can be referred as the “building and steering of the policy implementation network”, in the terms of Kickert et al. (1997, see also the contribution of O’Toole, Hanf and Hupe in the same work).

Finally, once the new situation has been achieved, the new organisational configuration has to be consolidated (or “institutionalised”, F4). Here we schematise change according to the very conventional – and quite simplistic – model of a change process as a three-phase process: the unfreezing of a previously stable situation (F1), change (trajectory from the initial to the end “state” – F2 and F3) and then consolidation (“freezing”) of the new achieved configuration (F4). Functions may obviously differ, at least in part, according to the specific features of the devolution policy package: differences may arise from the content of what is devolved, whether decision powers (the authority of enacting laws or issuing regulations) or service delivery tasks, or both; moreover, tax collection may remain centralised, or at the opposite taxation powers may be devolved too. Differences are also determined by the way the implementation process is designed in the reform package itself. It should be noted that, for example, F2 may have more sub-functions, according to the circumstances – the sub-function identified (keeping the cohesion within the top management) was performed in the Lombardy experience, and in *those* circumstances was capable of sustaining momentum. However, the scheme seems to be general enough to encompass a broad range of variations in the policy package and identifies key functions of the implementation of a devolution exercise.

It should also be added that F4 was performed mainly by managing some symbols (signalling that change was accomplished) and the use of authoritative means – in other words in the specific circumstances it was achieved without resorting to any especially significant practice (like those described below with regard to the other functions).

What practices could allow to perform such functions (and their component sub-functions)? The Lombardy experience has provided some interesting candidate smart practices. The procedure used for identifying the features of the practice at work for the reallocation of personnel – the function labelled “F3.1” according to the scheme outlined in Figure 1 - can be employed more broadly for drafting a set of practices for performing the defined functions.

Practices extrapolated from the Lombardy experience are reported in Table 1 and succinctly discussed in the remainder of the section.

The logical structure of Table 5.1 is as follows. First (column 1), each practice is related to the function it performs<sup>8</sup>. In general, the practice employs one or more social mechanisms in order to counteract other social mechanisms that would “naturally” inhibit or counterweigh the unfolding of the devolution process.

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<sup>8</sup> Or, in other words, a practice is a way to perform a function.

A major distinction (Elster, 1998, p. 46) is between type A Mechanisms (they are mutually incompatible: when one is triggered, the other is not – in this case the practice has to inhibit the mechanism) and type B Mechanisms (they can be contemporaneously triggered – in this case the practice has to produce a “favourable” net effect on the system). Mechanisms hindering the devolution process are referred to as “the problem addressed” by the practice.

The content of the practice is illustrated in column 2. The way the practice works is described (column 3) by addressing the two, distinct though interrelated questions of, first, how the system operates, and, second, how the practice tries to take advantage of the way the system operates (how it exploits latent opportunities lying in the system). Theory-based understanding of how the system works is the basis for characterising the practice and the way it works.

Effects or “results” of the practice is the way the outcome of running the practice allows performing the function (column 4). Practices are context-sensitive and, generally speaking, they have to be intended as having the potential of producing those effects – the actual performance of the function is not deterministic and it will depend on the interplay of individual agency and context factors in the specific circumstances. The sensitivity of the effects of the practice to possible variations in running it are described (point 2 in column 4). In particular, the questions about what accounts for unusually satisfactory performance or, at the opposite, what accounts for possible breakdown determined by the practice are examined. Finally, and complementarily, possible side effects of running the practice, an aspect too seldom cared about in management literature, are investigated (point 3 in column 4).

Context factors of the change process are considered in column 5 (“Process context factors”). They determine the “domain of applicability” of the practice. It is the careful consideration of these “operating conditions” of the practice that allows to avoid unwarranted generalisations (hence the elevation to the status of “best” practice). Their identification, though mainly a craftsman work that cannot be done according to pre-codified, automatic procedures, is guided by the theorised knowledge acquired about the way the system works.

<b>(1) Function</b> (in brackets the problem addressed by the practice)	<b>(2) Practice</b>	<b>(3) Description</b> 1. How does the system operate? 2. How does the practice try to take advantage of the way the system operate (design and innovation dynamics)?	<b>(4) Effects</b> 1. Main effects of the practice (Results) 2. Variations of the practice (what accounts for unusually satisfactory performances, what accounts for possible breakdowns?) 3. Possible side effects	<b>(5) Key Process Context Factors</b>
F1-1  ("Attribution of threat" by civil servants in the devolving as well as the recipients authorities concerning the new responsibility and risks, that if not counteracted might sap momentum of the devolution intervention)	P1] Setting to work <i>loci</i> for empowering communication channels and joint decision-making among public sector organisations (in the Lombardy case, the inter-institutional table of agriculture)	1.The system Attribution of threat or opportunity to the new situation. The replace of intra-organisational, hierarchy-based mechanisms of governing the transactions with inter-organisational settings and network-based transactions mechanisms.  2.How the practice takes advantage of the way the system operates - By appropriating a mobilising structure to make the change be interpreted as an opportunity and not as a threat - By facilitating the development of inter-organisational teams and other structures and routines for inter-organisational co-ordination of transactions	1.Main effects Momentum of the devolution process is initiated (and sustained). Network-based mechanisms of governing the transactions are set to work.  2. Variations of the practice Training programmes attended jointly by personnel of the different levels of government and other procedures may further facilitate the development of the implementation network.  3. Possible side effects Exclusion of some actors may amplify attribution of threat – on the other hand, a “too numerous, too-heterogeneous” composition in the consultation procedure may hinder joint decision-making.	- Nature of the division of labour across levels of government and asymmetry in powers and the expertise (facilitating the creation and appropriation of mobilising structures by the upper level of government) - Nature of the transactions to be performed by public entities in the policy subsystem
F1-2  (Attribution of threat by relevant constituencies to the new situation)	P2] Setting to work <i>loci</i> for empowering communication channels between public sector organisations and stakeholders (in the case, the “agricultural table”) and incentives for prompting stakeholders to back the devolution	1.The system The reshaping of electoral and non-electoral constituencies determined by the reallocation of decision powers and administrative tasks implied by devolution affects attribution of opportunity and threat by relevant stakeholders  2.How the practice takes advantage of the way the system operates - By appropriating a mobilising structure (the agricultural table) to make the change be interpreted as an opportunity - By linking (through the Centres of Agricultural	1.Main effects Momentum of the devolution process is initiated (and sustained) by enhancing stakeholders’ consensus towards devolution. Network-type and market-type mechanisms of governing the transactions are set to work.  2. Variations of the practice Linking the decentralisation agenda with other cross-sectoral, highly political <i>loci</i> for communication and joint decision-making may strengthen the effects (in the Lombardy case, the “pact for the development table” for	- Nature of the policy process in the sector - Characteristics of the internal organisation of the stakeholders



	intervention (in the case, the Centres for Agricultural Assistance that were contracted out important public administrative tasks)	Assistance) the agenda of stakeholders to the devolution agenda performed by the regional government (brokerage mechanism) - By facilitating the development of network-type (the agricultural table) and market-type (the Centres of Agricultural Assistance) mechanisms of governing the transactions	consulting stakeholders in all the main economic fields).  3. Possible side effects Exclusion of some actors may amplify attribution of threat	
<b>F2</b>  (in complex change processes, some interventions tend to lose the recognition by key actors of their significance for the progression of the devolution agenda)	<b>P3]</b> Interconnecting the interventions required for implementing devolution by having top managers to take part to all or most of the projects teams	1.The system Complex processes tend to split into a variety of distinct, though interdependent, adaptation efforts (“interventions”). Actor certification / de-certification of the devolution interventions affects key actors’ commitment.  2.How the practice takes advantage of the way the system operates - By having the key actors to take part to all or most of the working groups, validation is maintained over time and interdependencies in the change process are governed	1.Main effects The variety of adaptation efforts are recognised and strongly interconnected, thus sustaining momentum and increasing co-ordination  3.Possible side effects Exclusion of some actors may amplify attribution of threat	- Nature of the interdependencies of the different adaptation efforts

<p><b>F3-1</b> (Problem: being reallocated is a net loss for personnel)</p>	<p><b>P4]</b> Combination of:</p> <ul style="list-style-type: none"> <li>- inducing a belief of inevitability</li> <li>- careful selection of personnel</li> <li>- monetary incentives</li> </ul>	<p><b>1.The system</b> The move to another level of government affects the contract between the organisation and its labour force: as a result, an unbalance between contribution and reward in the staff to be transferred is produced. Threshold-based behaviours about whether to accept or resist transfer may be operating</p> <p><b>2.How the practice takes advantage of the way the system operates</b></p> <ul style="list-style-type: none"> <li>- By explicitly reducing the unbalance by providing a compensation</li> <li>- By constraining available decisional alternatives</li> <li>- By triggering rational imitation at the individual level</li> </ul>	<p><b>1. Main effects</b> Attenuation of resistance to transfer by the personnel.</p> <p><b>2. Variations of the practice</b> The block transfer of personnel may either reinforce the process or hamper it. The gradual transfer of personnel over the time period of devolution may facilitate the activation of persistent patron-client networks, which in turn may lead to some of the personnel avoiding the transfer.</p> <p><b>3. Possible side effects</b> Attribution of threat connected with the perception of being superseded on the side of staff already in the payroll of the lower level of government.</p>	<ul style="list-style-type: none"> <li>- “Social status” and labour contract of personnel at different levels of government (a country-specific factor)</li> <li>- Organisational culture and preferences structure of personnel (prevalence of values relating to individual remuneration and upgrading the hierarchical chain vs. values relating to job enrichment and skills development)</li> </ul>
<p><b>F3.2</b> (Adaptation of structure and routines to the new tasks performed)</p>	<p><b>P5]</b> Developing a “professional bureaucracy” organisational model for the public sector entity that devolves tasks, and establishing specialised bodies (“agencies”) for performing specific administrative/technical tasks (in the Lombardy case: the regional funding body for the delivery of subsidies to farmers)</p> <p>Setting to work routines for</p>	<p><b>1.The system</b> New tasks are to be executed at the different levels of government, hence different organisational configurations are required. The reallocation of tasks and power has a strong motivational impact on top executives, the middle management, and the staff. Fragmentation of competencies in the institutional setting increases the scope for opportunistic behaviours.</p> <p><b>2.How the practice takes advantage of the way the system operates</b></p> <ul style="list-style-type: none"> <li>- By providing top executives with the organisational instruments for keeping the grasp over the overall policy process</li> <li>- By empowering middle management and staff by enriching their job</li> <li>- By sharing information and thus reducing the scope for opportunistic behaviours</li> </ul>	<p><b>1. Main effects</b> Focus of the government devolving authority on its new core activities and grasp over key phases of the policy process is enabled.</p> <p><b>3. Side effects</b> Inter-organisational computerised information system: risks of breakdowns when the hierarchical logic overextends and/or when information is used only according to a “negotiation” logic.</p>	<ul style="list-style-type: none"> <li>- Contents of the reform policy package (nature of the devolved tasks, interdependencies, and overall features of the new division of labour across levels of government)</li> <li>- Dynamics of the political system, especially regarding the relations between upper (devolving) and lower (recipient) levels of government</li> </ul>

	collecting and processing information on performances and tasks execution in the entities of the policy subsystem (in the case, the new inter-organisational computerised information system)			
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**Table 5.1: practices for the management of devolution processes**

*Practice 1* performs the function of triggering momentum of the devolution process, by counteracting the mechanism of attribution of threat to the new situation which might sap the process. The Lombardy case provides evidence of a number of distinct social groups affected by devolution: besides elected officials and regional top managers (that initiated and led the intervention), and letting aside the personnel to be reallocated (discussed in relation to practice 4), there were the middle management in the region, elected officials in local governments, tenured officials in local governments, managers of agricultural businesses' associations at the regional and the local level. For at least two groups benefits did not exceed costs (at least in a straightforward and univocal way): tenured officials in the staff of local governments, and managers of associations of agricultural businesses at the regional level.

In local authorities, while elected officials had a favourable attitude towards devolution (as especially commissioners in charge of agriculture matters envisaged that devolution could remarkably enhance their previously very limited status), for tenured officials devolution represented mainly a significant transfer under their responsibility of routine, "boring" tasks; in addition, these tasks conveyed a degree of administrative risk embodied in their execution (being the tasks concerned with administering large amount of funds according to rigorous and detailed EU procedures). As to the massive reallocation of personnel from the region, it represented for the staff a concrete menace of being superseded by transferred regional personnel, who had been promoted to a higher assignation-level as an incentive to transfer, and should therefore be assigned correspondingly higher-level assignments under the labour regulation in force in the Italian public sector.

In the face of such potential source of resistance, the workings of the inter-institutional table for agriculture performed an important function. The two-tier structure created an opportunity for tenured officials in the regional and local governments to meet on a monthly basis. Such way of working through systematic meetings held on a regular basis and interconnected with the formal deliberative moments within individual organisations made the inter-institutional table perform also another function beyond its institutional one: it acted as an important *mobilising structure*, a social space put at the service of interpretations of situations and objectives (McAdam et al., 2001, p. 102), interpretations that made the new situation be interpreted more as an opportunity than as a threat. In this way, top executives in the regional government could initiate and sustain momentum of the devolution process. The functioning of the inter-institutional table of agriculture and especially the procedures by which it interconnected the

deliberative moments of the different institutions facilitated joint decision-making. In terms of design of the institutional system, it also facilitated the creation of inter-organisational teams<sup>9</sup>. Interconnection of deliberative moments within individual organisations and inter-organisational teams allowed the replace of hierarchy-based mechanisms of co-ordination with inter-organisational, network-type mechanisms of co-ordination<sup>10</sup> - the ones most fit to the policy setting determined by devolution. The decision powers held by the devolving government, and the expertise and organisational knowledge accumulated by the devolving entity in running the functions it is going to devolve are key context factors that may affect the establishment and effective running of such mobilising structure.

As to the managers of agricultural businesses' associations at the regional level<sup>11</sup>, the issue for them was that they had to give away part of their competencies to the local organisational tier of their associations, "mirroring" the transfer of tasks from the regional to local governments, and thus they had to redefine their room for manoeuvre, internally to the organisation and in the relationships with public entities. Similarly to the previous situation, the potential triggering of a mechanism of attribution of threat by such an influential constituency might have sapped momentum of the devolution process.

In the Lombardy case, the agricultural table, that worked as a procedure for consulting farmers' associations, performed the function of initiating and sustaining momentum of devolution<sup>12</sup>, by working as a mobilising structure (hence facilitating the shaping of the perception of the change associated to devolution as an opportunity). It also supported another mechanism: the *brokerage* of the devolution agenda with key stakeholders' agenda, a mechanism that was triggered by the establishment of the Centres for Agricultural Assistance (the two mechanisms, though partly independent, together make up the *Practice 2*). Run by agricultural businesses' associations, the CAA were organisations created at the *regional* level (in the form of limited responsibility companies) that, once accredited, became in charge of performing on a contractual basis the delivery of important public services for agricultural businesses. Farmers had the

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<sup>9</sup> On the topic of effective team building in the public sector, see Doherty and Horne (2002).

<sup>10</sup> We assume the broad perspective that co-ordination may be achieved in three main ways: hierarchy, network or market – see Thompson et al., 1991.

<sup>11</sup> Agricultural businesses' associations had an organisational structure that mirrored public sector structure and repartition of competencies in agriculture, with a European (federative) level, a national central structure, a regional level and a local one. As an effect of devolution to local authorities, it was especially the regional level that had to redefine its mission and tasks.

<sup>12</sup> It should be noted that a practice may perform more than a single function – in the case, Practice 1 and Practice 2 performed primarily Function 1, and also Function 2.

right of choice about which CAA to use to apply for subsidies and other services (though a large number tended to employ the CAA established and promoted by the association they belong to). They represented a way of linking the agenda of businesses' representatives to the devolution agenda carried on by the regional government: the social mechanism of brokerage seems to have been at work. Brokerage is defined as "the linking of two or more previously unconnected social sites by a unit that mediates their relations with one another and/or with yet other sites [...] it can become a relational mechanism for mobilisation" (MT&T, p. 26 and 102). Associations benefited of these new arrangements in two ways: the remuneration for the services they delivered was satisfactory, and the direct contacts with users represented an opportunity for establishing closer links with the agricultural businesses (their actual or potential members). The benefits gained by businesses' associations contributed to win the favour of their managers at the regional level. An important part of the agenda of managers in agricultural businesses associations thus became linked to the progression of the regional devolution agenda. In fact, the decentralisation of further operational tasks that occurred in 2002 was for a significant part addressed directly to CAA, and no more to local authorities. CAA were financed, for the new functions, directly by the region employing financial resources, relatively abundant in the agriculture sector within the framework of the very "rich" Common Agricultural Policy, and saving on personnel resources, critical in the public sector at that period<sup>13</sup>.

As a result, momentum of the devolution process was initiated (and sustained) by enhancing stakeholders' consensus towards devolution<sup>14</sup>. Though brokerage may be triggered in a number of ways, depending on the circumstances, having stakeholders to perform a somehow "profitable" role in the execution of some of the tasks that are in the overall devolution package seems to be a quite general way to perform the function of engaging stakeholders.

The practice works under context factors that are relative to the nature of the relationships between governments and stakeholders - in the case, the corporatist nature of the policy process of the Common Agricultural Policy (Rieger, 2000), implying that a limited group of stakeholders was really decisive

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<sup>13</sup> This represented a positive side effect (side effect are not intended to be *a priori* necessarily negative). The establishment of the centres for Agricultural Assistance made new resources fungible: contracting out important tasks to the CAA represented a way by which the regional government utilised financial resources (relatively abundant) and spared on personnel (relative scarce in both the region and local authorities).

<sup>14</sup> Public managers in the Lombardy region, in recognising that they needed to supplement their current authority and effective influence if they were to succeed, performed what in Moore's terms (1995) is political management - a general function cross-cutting (in many respects) the specific functions of the devolution identified in this work.

in the policy process, may have facilitated the identification and engagement of the key actors in the policy system. Also the characteristics of the internal organisation of stakeholders (in the case, the two-tier structure, regional and local, of farmers' associations, and their organisational and financial capacity of giving birth to relatively complex organisations like the Centres of Agricultural Assistance) are influential factors.

The splitting over time of the change process into a variety of distinct though interdependent interventions<sup>15</sup> may lead part of the staff to lose the recognition of the significance of each individual intervention for the overall advancement of the devolution agenda. The fact that key top executives took part to all or most of the working groups set up for different specific projects strongly interconnected these groups. The interconnection of the plurality of working groups may trigger *actor certification* of individual interventions, a mechanism which maintains the significance given by the staff to each of them. *Practice 3* relies on this mechanism. Actor certification is the validation of actors and their performances by external authorities. Attitudes that, in brief, we can label as "consistent with the strategic reorientation of the Lombardy regional government and the adaptation of the organisational configuration to the circumstances of the devolved setting" came to be recognised as socially acceptable: at the opposite, some attitudes came to be recognised as "outdated" behaviours, not compatible with the new orientation of the regional government in the devolved policy subsystem. Acceptability "contributes to explaining what kind of organisation, identity and collective interaction are prescribed, tolerated, and forbidden" (McAdam et al., 2001, p. 145) and can provide part of the explanation of the support over time provided by the middle management to the devolution intervention and the commitment to implementing each individual intervention.

The interconnection of the plurality of working groups also facilitates the management of the interdependencies of the outcomes of individual interventions. Goodman (2000, pp. 30-42 and 125-138 in particular) provides the conceptual tools for the detailed analysis of how changes in activities and outcome in one unit or level affects changes in activities and outcome at another unit or level of the organisational space under investigation (organisational linkages). To put it in a very simplistic way, the missing (or mis-functioning) of organisational linkages is a reason for "failure" in change processes<sup>16</sup>. Presence of top managers in all or at least the most significant of the working groups,

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<sup>15</sup> An intervention is the process or set of processes by which an agenda is realised.

though time-consuming for top managers, may facilitate the coupling of the outcomes in such ways to sustain the devolution process.

We have already examined in detail mechanisms at work in the process of reallocation of personnel – and the alternative courses of events that may occur according to what mechanisms are triggered – that are at the basis of *Practice 4*. A combination of monetary incentives (by themselves often insufficient), of inducing a belief of inevitability and the careful selection of personnel may counteract the effect of reallocation being a net loss for personnel, at least in the institutional and cultural context of a number of countries. Context factors refer also to the preferences structure of the personnel to be reallocated.

*Practice 5* is about developing an organisational model fitting the new tasks and environment – an organisational model that might also provide top executives in the regional government with instruments for keeping the grasp over key phases of the policy process: an important motivational basis for making rational public actors adopt the new model<sup>16</sup>; and that may empower the middle management by enriching the job description: again performing also a motivational function. In fact, the organisational model of the professional bureaucracy, operating through groups of professionals, was apt to perform the broad set of activities put under the label of “steering and advising local governments”. Complementarily, the regional funding body, that operated under the direct supervision of the regional government, performed a key phase of the policy delivery process, i.e. the disbursement of funds to agricultural businesses. It seems that the professional bureaucracy model is in relatively general circumstances apt to organisations that have devolved operational tasks (when this is the content of the devolution policy package); also, “arm’s length” agencies may prove to be an adequate solution for executing sets of relatively homogeneous and specialised tasks that remain under the competence of the upper tier of government.

Another major problem of devolution is that the fragmentation of competencies among a plurality of organisations increases the scope for opportunistic behaviours. The inter-organisational computerised information system contributes

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<sup>16</sup> Though this straightforward conclusion is undoubtedly an over-simplification of Goodman’s brilliant analysis (and research agenda) on organisational change.

<sup>17</sup> It may be contested that the fact regional government keeps the grasp over local authorities be a goal of devolution, but it may be an important motivating factor (though top bureaucrats behaviour is more complex than the representation of it in generic terms as being driven by “enhancement of



to counteract this mechanism by sharing information, which, at least potentially, may reduce the scope for opportunistic behaviours. The inter-organisational computerised information system of the Lombardy experience was designed on the basis of the requirements identified by the regional government, that by such means influenced in a decisive way the circulation of information in the policy subsystem. It seems that keeping the control of the design and the running of the public inter-organisational computerised information systems related to the policy sector (when it exists) is on the one hand a way of “steering the system” by the upper level of government, but also, if procedures are designed in a co-operative logic between all the public (and private) entities involved, it may also be a way counteracting opportunistic behaviours. Its effects will depend on a range of context factors including the nature of the relations between levels of government (in particular whether collaborative or conflictual) and the nature and interdependencies of the tasks executed at the different levels of government in the devolved institutional setting.

## **5.4. Discussion of findings**

### *5.4.1. Scope of the analysis*

The analysis of the Lombardy case has allowed the extrapolation of practices for the management of devolution processes. Extrapolation has been defined (Barzelay, 2005) as an interdependent process of learning from vicarious experience (which entails conducting case analysis) and designing practices, having the purpose of improving the performance of public sector organisations in one situation (target site) by employing experience acquired elsewhere (source site).

Especially the phase of designing the practices poses the problem of the division of the intellectual labour between researchers and practitioners. Designing practices apt to solve extant problems is the daily concern of practitioners<sup>18</sup>. Consequently, in the present study, by the process of designing of a practice we mean the process of drafting practices apt to structure situations in motion according to given purposes (Barzelay, 2005) under circumstances defined in sufficiently general terms by a set of context factors (whose identification is based on the causal understanding of the phenomenon). Such

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power” or “budget maximisation” - Niskanen, 1973 – see Dunleavy, 1991, for a wider analysis of top bureaucrats behaviour).

practices (like those outlined in section 5.3) can and must subsequently be tailored by practitioners to their specific circumstances by carrying out the detailed design. This means that the practices identified are not to be intended as “recipes”, ready for use. They are rather to be considered as “templates” to be employed under given context factors, that have to be adapted to the specific circumstances of the situation on which to intervene.

Important limitations apply to the extrapolation process conducted in the present work. A first one relates to the nature of the case investigated. Variation in locality characteristics is not considered in the Lombardy case, in which local politics (especially the relations between the regional and the local level of government) was relatively collaborative. Pollitt et al. (1998) predict that conflictual politics may hinder implementation – hence the menu of practices should be extended and/or refined by encompassing, for example, practices that may allow to perform F1.1 in such less favourable circumstances.

Also service characteristics are influential. Agriculture is a policy field in which a corporatist logic is dominating (Rieger, 2000), at least in EU countries, thus making the identification and engagement of key stakeholders relatively easy. More generally, their influence on the policy process is very high: a more complete menu of practices should consider if and how to “engage” stakeholders in less structured, more pluralistic policy sectors (in other words: how important is F1.2, and how to perform it in pluralistic policy domains). Still, other circumstances, like the technical complexity of the services delivered, should be considered in drafting a more complete menu of practices for managing devolution in sectors deeply affected by the dynamics of the technological evolution.

At a more methodological level, another limitation is that the focus has been relatively more on the way the practice operates than the way the practice itself may be developed (Barzelay, 2005) – for example, the focus has been more on the way the inter-institutional table of agriculture performs a mobilising function, than on the way such mechanism can be established and effectively set to work. Again, in the intellectual division of labour practitioners may be called to play an important role in this phase, i.e. in designing ways in which the identified practices may be developed.

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<sup>18</sup> Though, clearly, not all practices are designed on the basis of vicarious learning from other experiences.

#### 5.4.2. Some broader lessons that can be drawn from the Lombardy experience

Various issues emerge as significant for the successful implementation of devolution. First, it emerges that implementing devolution requires to develop and adapt the organisational arrangements of all the public sector organisations involved - both devolving and recipients of authority. This in turn means adapting the organisational culture, structure and routines of individual public entities, on the one hand, and developing the collaborative capacity<sup>19</sup> to deliver the policy in the devolved subsystem, on the other hand. As regards the innovation of the organisational configuration of *individual* public entities, it emerges that organisational change regards as much the level of government recipient of authority as the level of government devolving powers and tasks. Both have to carry out a profound reorganisation. At the same time, circumscribing organisational change to the level of individual organisations obscures the whole picture. *Collaboration* among public sector organisations represents both a key requirement for implementing the devolution intervention and an outcome of the successful conduction of a devolution intervention (it is an intangible but crucial asset for the functioning of the devolved public sector<sup>20</sup>).

Second, conducting an exercise of devolution requires to establish a proper *governance framework*. Different perspectives may be comprised under the expression of “establishing a governance framework”. One is adapting the institutional setting, i.e. completing the design of devolution via secondary legislation - a process that is especially significant in legalistic countries, like Italy and most countries in the continental European tradition of the *rechtsstaat* culture of governance<sup>21</sup>. Once a major reform act is established, the implementation of a reform has to be carried out by adapting, at the different levels of government, the secondary body of laws which regulates each sector. In Italy, after the major reform act (law 59/97), four acts were promulgated to reform the most relevant policy sectors according to the major reform; then, any regional government had to implement the reform through the promulgation of regional laws for each sector. This process, all in all just a legally binding pre-condition for the devolution

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<sup>19</sup> Bardach (1998) employs the notion of collaborative *capacity*, which is broader than *actual* collaboration in a given site and time, and considers it a key asset for the efficiency and effectiveness of the public sector in the modern era.

<sup>20</sup> It is an aspect considered especially while examining practice 1. The significance of this topic emerges when considering the relation between “decentralisation” and a criticism (or at least a *caveat*) about a possible drift towards a “fragmented state” (and the consequent inconsistencies in policy delivery) as an effect of massive decentralisation processes – fears often echoed in the literature examining the trends towards a decentralised public sector. In our view, the importance of using the *process* of devolution to create collaborative capacity among the public entities that will share powers and tasks in policy delivery after devolution is underestimated in the debate on the topic.

<sup>21</sup> A feature that may probably extend also to other OECD and especially non-OECD countries.

process to be implemented, was not entirely completed at the end of 2004. Though this problem of design of the devolution policy package is not directly dealt with in the present study (the institutional design has in this respect been treated as a given), the issue is undoubtedly relevant in the study of devolution (and probably other) reform processes. Establishing the governance framework may also be intended along another significant perspective we have directly addressed in the study: engaging stakeholders in the implementation process. A perspective which may be interpreted as a key component of the “building and steering” of the implementation policy network (Kickert et al, 1997, Hill and Hupe, 2002).

In the work, a third key issue has only indirectly been considered: the question of the resources required for sustaining the intervention. We have indeed examined an important aspect of the issue, i.e. the reallocation of personnel. Generally speaking, “financing” the intervention (in the broad sense of providing all the resources, financial, human, material) is a high-level function to be performed - and practices should be designed especially for circumstances characterised by tough financial constraints. This was not the case in the Lombardy experience. It is for this reason that in the present work financing the intervention has been mainly considered as given, an enabling and complementary function not directly investigated – but further research on the topic should include this dimension of analysis too.

## **5.5. Conclusion**

It is useful to summarise the path we have covered so far, i.e. producing some usable knowledge about the dynamics of devolution processes, in order to shape such dynamics in ways that may improve policy delivery in the devolved setting. Devolution is just one type of the broader phenomenon of decentralisation that has been reshaping the public sector over the last two decades or more.

In this work, there is no spur, nor any prescriptive drift towards decentralisation as a recipe *per se* capable of improving performance of the public sector – on the contrary, we agree with Pollitt (2005) that the (often) unspoken alternative – namely centralisation – has all the titles for improving public policy in many and differentiated circumstances. However, decentralisation is the current trend, and this is the main reason why the implementation of decentralisation has been focused. It might also be argued that implementing decentralisation is more difficult than implementing a centralisation intervention;

however, such a statement is unwarranted. We suspect the analysis carried out in this work may in some form be useful also for the analysis of the implementation of an intervention of centralisation concerning aspects like the conditions under which an entrepreneurial role is more likely to be performed by top managers, the way the reallocation of personnel (though it should be in general a smoother process) may be performed, how the consensus of different social groups affecting the dynamics of the process may be gained. Continuing in the list of what this work is *not* about, it is not about the performance of different institutional designs of decentralisation, nor – as already made clear - is it about the assessment of whether decentralisation is a good recipe compared to centralisation<sup>22</sup>.

This work is about “how to decentralise well”: it aims at contributing to a knowledge about how to lead the implementation of an intervention of decentralisation in ways that are conducive to effective policy delivery in the devolved setting. The smart practices analysis may provide a contribution in this respect.

As regards some of the specific organising devices extrapolated from the Lombardy experience, it may be argued that some of the practices, suitably revised, could be applied to other phenomena like processes of *agencification*, intended as the transfer of operational tasks from a Ministry/Department to an agency - see Pollitt and Talbot (2004) and Pollitt et al. (2005) (agencification is in this framework considered as part of the broader phenomenon of decentralisation), that seem to present similar functional requirements: the reallocation of personnel, the reorientation to new core tasks, and the adoption of new organisational configurations both in the entity devolving authority and in the entity recipient of authority (Ongaro, 2005).

At another level of analysis, that of the methodology employed, the progression of the smart practices analysis research programme may provide an important contribution to public managers by equipping them with sets of practices for dealing with the key “challenges” of managing in the 21<sup>st</sup> century.

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<sup>22</sup> Economic studies have widely debated issues concerning the “ideal dimension” of the state, hence of its internal, “federal” or “centralised”, articulation. Similarly, studies in the field of public policy discuss, sector by sector, what degree of decentralisation should determine what performances according to the given circumstances. We argue that also scholars in public management have their saying in that, especially in considering what management systems and what logics of accountability are capable of producing which effects at what level of government – a dimension traditionally (regrettably, in our opinion) less considered in the debate on the “proper” configuration of the state.

## **Appendix: narrative structure of the episode and related descriptive questions, data collection**

### **Descriptive questions (Type B1 questions)**

B1-1-1) How did the regional managers prepare the transfer of authority to local authorities?

B1-1-1a) What was the attitude of elected politicians in Local Authorities about devolution?

B1-1-1b) What was the attitude of civil servants in Local Authorities about devolution?

B1-1-1c) How was the issue of the motivation of civil servants in Local Authorities dealt with? And, in particular, how was the issue of the administrative risk entailed by the execution of the new tasks dealt with?  
(answered pages 53-55)

B1-1-2) What was the impact of national reforms in the area of labour relations on the reallocation of personnel? (page 55)

B1-1-3) What organising devices were deployed in order to facilitate the transfer of authority?

B1-1-3-1) What sequence of events did lead to the establishment and development of the Inter-institutional table for agriculture?

B1-1-3-1a. Why was it established?

B1-1-3-1b. What was its mandate and scope?

B1-1-3-1c. What arrangements were put into practice in order for the inter-institutional table to work?

B1-1-3-2) What was the importance of joint training programmes attended by the regional and local governments staff?  
(pages 56-58)

B1-1-4) How did the process of reallocation of personnel to local authorities unfold?

B1-1-4a) How did the personnel react to the prospect of being transferred to Local Authorities? What problems did emerge in the transfer of personnel to Local Authorities, and when?

B1-1-4b) How did regional managers deal with the issue of the morale of personnel to be transferred?

B1-1-4c) How did the arrangements (incentives and disincentives) employed for facilitating the transfer of personnel to Local Authorities take shape?

(pages 58-60)

B1-1-5) What course of events did lead to the radical modifications of the organisational structure and routines of the regional government?

B1-1-5a) What major modifications to the organisational macro-structure did occur?

B1-1-5b) What modifications did occur to the job description of the staff?

B1-1-5c) What changes did occur in organisational routines?

B1-1-5d) What course of events did lead to the rapid development of the new computerised information system for agriculture?

(pages 60-63)

B1-1-6) What transformations did occur to the regional territorial offices?

B1-1-6a) What was the importance of the regional Territorial Office for the implementation of devolution?

B1-1-6b) What issues did the "hollowing out" of the regional territorial offices (due to the massive transfer of personnel to local authorities) raise?

B1-1-6c) How were these issues dealt with?

(pages 63-64)

B1-1-7) What course of events did lead to the establishment of the regional funding body?

B1-1-7a) How did the legislative provision by the National Government about the possibility of establishing a Regional Funding Body come to be interpreted by the regional managers as an opportunity for shaping a new role for the Regional Government in the field of agriculture?

B1-1-7b) How did the process that led to the definition of the organisational model for the new entity develop?

How did alternatives come to be considered?

How did foreign experiences come to be considered? What role did the international projection of Lombardy Region perform in the consideration of foreign experiences?

B1-1-7c) How did the process of merging executive agencies interconnect with the establishment of the regional funding body?

(pages 64-70)

B1-1-8) How did the relations with agricultural businesses' associations evolve during the progression of devolution?

B1-1-8a) What sequence of events did lead to the establishment of the Agricultural Table?

B1-1-8b) What sequence of events did lead to the establishment and development of the Centres for Agricultural Assistance?

(pages 70-71)

### **Data collection**

Data sources:

- documentary evidence,
- semi-structured interviews (37 between January 2003 and October 2003),
- participant observation (in my capacity as member and advisor of the observatory on the administrative reform and federalism of the Lombardy region in the period 2000-05; invited-observer in the Lombardy region committee for the monitoring the financial implication of decentralisation (2001); speaker to two internal meetings for managers the of Lombardy Region in 2002 and 2003)

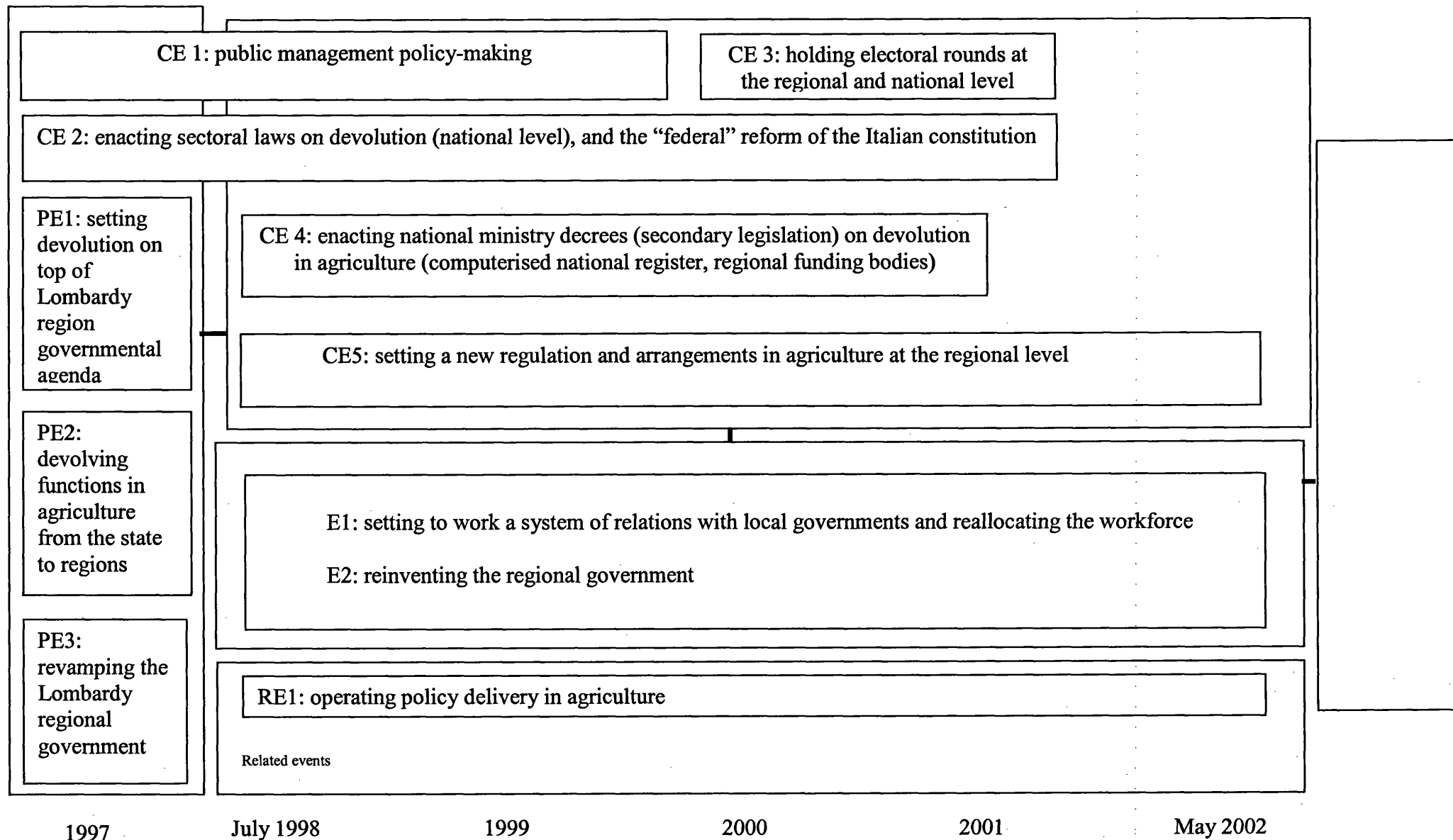


**Figure A1: narrative structure**

Previous events

Contemporaneous events

Subsequent /  
anticipated events





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