



How to set challenging goals and conduct fair evaluation in regional public health systems. Insights from Valencia and Tuscany Regions

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ABSTRACT

The definition of “the right targets” and the way the evaluation of results is performed affect the willingness to commit to new challenges, which is a factor that influences the relationship between goal setting and performance results. Indeed, some authors claim that the choice of an inappropriate goal-setting procedure is a major cause of failure of management control systems. Goal setting theorists found that assigning a specific and challenging goal leads to higher performance than (a) an easy goal, (b) a general goal or (c) no goal setting. Despite this evidence, yet, few proposals concern the definition of what is “challenging”. This paper focuses on two issues: (a) what is to be considered a challenging goal and (b) what is a “fair evaluation” in the health care sector. This work suggests that benchmarking is a valid support to solve the previous dilemmas. Relying on two Regional European advanced experiences – Valencia in Spain and Tuscany in Italy –, this paper aims to provide conceptual methods that can help managers define challenging goals and conduct fair evaluation about their achievement. Although these Regions adopted different governance models, both of them applied very similar techniques, which seem to be associated to an improvement of their performance and a reduction of unwarranted variation.

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1. Introduction

Goals have pervasive influence on employees' behavior and in turn on organizational performance. This basic assumption of goal setting theory – developed by Locke and Latham at the end of the 80s for the individual level –, has been analyzed for the organization and system levels by control management scholars. Literature and experience

on goal setting showed that assigning targets is not sufficient. For instance, the experience of *Health for all* program, launched by the WHO in mid-80s [1], that set targets to member states and renewed them in the mid-1990s with the *Health21 policy framework* [2], flawed in some countries and in some areas [3]. Scholars that analyzed this case [4] stated that some strategies were not met because of: the lack of involvement of key actors at the grass-roots levels; the shift of power and responsibilities from the central to the regional level [5]; the lack of the “right targets” in terms of prioritization, reflecting the specificity of countries and in terms of identification of the correct effort to be required. All these elements are also found in general literature on performance management [6]. Indeed, the adoption

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of an inappropriate goal-setting procedure is deemed to be a major cause of failure of management control systems [7].

Scholars of goal-setting theory stated that effective goals should be assigned considering the content (what have to be sought) and the intensity (how to attain the goal) [8]. Regarding the health care sector, both central and regional levels use targets in their governance models in different ways, getting different results [9–11].

At this purpose, Brown et al. believe that successful health care systems have: a public, specific statement of goals with a plan for reaching these goals; a public report of improvement results and strong physician and clinical leadership in improvement efforts, aligned to improvement goals (again, supported by useful data) [12].

In this scenario, control management studies mainly discussed which indicators should be selected, the criteria to choose them [13–16] and some elements of the process, in particular the importance of feedback and involvement [6,17,18]. When goal is specific and challenging, it leads to higher performance than (a) an easy goal, (b) a general goal or an exhortation to “do one’s best,” or (c) no goal setting [8,19–24]. Yet, few evidence and proposals concern the definition of what is “challenging”, that is an important characteristic goals should have to motivate workers [25].

The definition of “the right targets” and the way the evaluation of results is performed affect the willingness to commit to new challenges, which is a factor that influences the relationship between goal setting and performance results [25]. Seeking to respond to the aforementioned two open issues, it is possible to identify at least four sub-decisions managers and policy makers need to take when they set and evaluate targets:

- i. Whether to define the benchmark the actors are aiming at;
- ii. Whether to set homogeneous targets for all the actors;
- iii. Whether to consider the agents’ past and relative performances to set targets;
- iv. Whether to adjust results on the basis of environmental factors.

Goal setting procedure needs to consider whether a gold standard or a normative target exist (i). When neither the gold standard, nor the normative standard exists, then the definition of the targets often require a subjective decision. This situation can jeopardize the legitimation of goals. Nevertheless once the standard is defined, policy-makers have to decide whether to assign the same target to all units (i.e., health authorities, health departments or professionals) (ii). Homogeneous goals are often assigned to all units. This decision encounters some drawbacks. The first one occurs when the goal is set, for every unit, to the gold standard. The gold standard requires extreme effort for some agents so that it can be perceived as unattainable. Seemingly impossible goals can have two opposite effects known as “the paradox of stretch goals”. Stretch goals could influence organizational learning and performance in a positive way by facilitating improvement because they are seductive, but they can also have a disruptive effect leading to no commitment at all [25,26].

The second drawback is what managerial literature defines the “threshold effect”. This occurs when a minimal and equal threshold is set for all the controlled actors. On the one side, this mechanism puts some intentional pressure on under-performing agents; on the other side, it instills a perverse incentive for all those agents who are already performing over the threshold, by stimulating a regression toward the threshold level [27]. The threshold mechanism generally penalizes those actors that perform well but still have single criticalities, while it favors mediocre agents, who systematically perform in the threshold range. To overcome these problems, individual goals can be preferred.

When policy-makers have to set individual goals or they do not have the gold standard, a way to set targets is considering the past and relative performance of agents (iii). Indeed, previous studies demonstrate that goals have to be set considering the difference between the units and their starting point (baseline) [6,28]. Performance incentives had the greatest impact on providers whose performance was lower at baseline [29] so that policy-makers could ask more to the worst-performers, considering that the effort should be perceived as challenging but attainable. Indeed, disruptive effects seem to be more frequent in those organizations whose recent performance was low [26].

In laboratory experiments (largely applied in the goal setting theory) challenging goals are usually considered to be those that are fixed at the 90th percentile of the original distribution, while in field experiments “challenging” is what agents perceive as “difficult yet attainable” goals [25]. That implies that the definition of what is challenging is set, most of the time, on subjective basis.

Finally, the evaluation of the level of target attainment by each agent (iv) can correspond to the simple degree of achievement of the set targets, but other factors need to be considered. In particular, some contextual variables might have affected the degree of achievement itself. This means that some correctives have to be envisaged [6,8,30].

This paper supports the thesis that the introduction of some benchmarking techniques might be the solution to face the four above-mentioned issues. Indeed, benchmarking techniques have been applied in the public sector since the 1990s [28], becoming the basis for the development of management control systems as dominant form of governance in the health care sector [9–11]. The following paragraphs report the conceptual framework drawn by two European experiences – Valencia in Spain and Tuscany in Italy –, that suggest how benchmarking techniques can be leveraged to set appropriate targets and conduct fair evaluation of their achievement.

2. Methodology

The paper offers a comparison of the methods two regional institutions – Tuscany (Italy) and Valencia (Spain) – independently developed to set appropriate targets to their health care units and to assess their attainment. The study is the result of a longitudinal action research process. The *action research approach* is a research method that aims to simultaneously solve ‘real’ problems in social systems and contribute to the basic knowledge of social

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