Aspects of Communication and Reporting in Italian Public Administration: Considerations about Recent Innovations

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Abstract

The Italian Public Administration is the subject of ongoing reforms, especially due to the high public debt. After several attempts in recent years, choosing an organizational model similar to that management, overcoming the traditional bureaucratic organization. The new management model emphasizes also the internal and external communication using tools previously used only by private companies. In this context social, financial and accrual reports play a leading role. Reports have had a marginal role in Italy considered as merely attachments to cash-flow statements. In the future, however, they could become important documents of effective and efficient office. This paper, with reference to the best doctrine, presents a concise but comprehensive development of the situation: the Italian experience is of interest to appropriate international comparisons.

Keywords: *Italian Public Administration, Public communication tools, Social report, Income statement, Financial statement, Annual report.*

JEL classification: H83, M41

1. Introduction

The organization and the high cost of the Italian Public Administration are the object of study by Italian researchers and part of the international Academy. The various attempts to make a public apparatus economically, effectively and efficiently are the subject of reflection of many experts.

In recent years there is a sharp change of the general approach, moving from bureaucratic logic to meritocratic criteria. The State must consist of simple offices that respond immediately to citizen needs.

This article proposes some significant insights into the managerial skills of the Italian Public Administration, focusing especially on new communication and reporting tools that are enforcing. They have a very difficult role in the modern society: citizens should participate more in political choices that must be evaluated also in relation to social, economic and financial results achieved by various agencies in different levels of intervention.

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2. The communication of a modern Public Administration

Since 1990, following many rules, the Italian Public Administration (PA) is moving from a hierarchical model to the culture of the result which requires effective and efficient[2].

To the fundamental constitutional duties of confidentiality, impartiality and fairness is adding administrative transparency, based on communication.

The principles underlined by recent reform are the three "e": economy, effectiveness and efficiency, which sometimes add a fourth "e": public ethics.

The citizen is therefore considered as a user, similar to the "customer". Charter services, establishment of the Public Relations Office - PRO, and the single points of production activities, construction or contracts, etc. organize the new customer-oriented Public Administration[3].

Computerization of government offices and the Digital Administration Code (Quaranta, 2006) introduce efficiency instead of the bureaucracy, creating a new collaborative relationship between citizens and Public Administration based on a transparent communication process.

In particular the communication of Public Administration is divided into (Grandi, 2001):

➢ institutional, which informs the public about laws, regulations, and procedures of the offices;

➢ politics, typical of public institutions, political parties and movements;

➢ of social solidarity that spread ideas, values, instead of goods or services, and that often has the aim to change behavior for the solution of problems of general interest.

Today is possible to consider a fourth type: economic and financial communications, considering the independent value in the dual form of accounting and accountability.

Communication is a circular process and requires the willingness to modify the standards used and behaviors and policies.

The Italian Law n° 150 of June 7, 2000, "Regulation of the activities of information disclosure of Public Administration[4]" regulated the subject, entrusting to specialists (Berg, 2009) whose conduct must necessarily be inspired by ethical standards[5].

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[2] Coruzzi M., 2006, p. 1 and ss. The introduction of managerialism in the Italian Public Administration is the subject of numerous scientific contributions. Among them: Borgonovi E., 2004; Anselmi L., 2003; D'Alessio L. et al., 2008; Farneti G., 2007; Manacorda C., 2009; Matteuzzi Mazzoni L., Paletta A., 2006; Mussari R., 2002; Pavan A., 2001; Puddu L., 2005; Zangrandi A., 2008.

[3] A closer inspection the user/consumer of the PA is also its decision-maker. At issue, see: Ricci P., 2010, p. 49 and ss.

[4] In *Gazzetta Ufficiale* n. 136 of June 13, 2000.

[5] See, for example, the code of ethics and good conduct of public communicators proposed by the Italian Public and Institutional Communication (Comunicazione pubblica, 2010).

The new communication of Italian Public Administration is governed by the principles of completeness, correctness, clarity, simplicity and conciseness. Every year it is necessary a plan of internal and external communication in order to planning future actions (Levi et al., 2004). It is useful in managing communication, in orienting communication direction, in identifying actors (who communicate and to whom) and in defining products (what could be realized), tools and resources.

Communication is essential to give account on resources used with the aim at defining plans and projects based on the definition of priorities agreed in advance with stakeholders. Its characteristics must be connected to the values which inspire it and should be in the Charter of values and in ethical Codes.

3. The role of communication in an effective and efficient Public Administration

To build an effective and efficient Public Administration, responding to the needs of changing social realities, some priorities have been identified (Gramigna, 2010):
1. design simple offices to service users;
2. create value for citizens, strengthen the policy-making;
3. govern the change with the help of all;
4. develop networks of relationships useful for innovation.

The first objective requires entities friendly, anticipatory and reliable. The friendliness depends on simple contact, by limiting the movements, incorporating offices, reducing waiting time and creating pleasant environments[6]. Designing services in advance, however, depends on the ability to anticipate needs. This is possible exploiting the contacts with clients to guide the improvement of services that may be customized. Reliability, then, comes from the ability to maintain commitments. These qualities can also be obtained through appropriate internal and external communications. The first is functional to inform users on various opportunities, but also to assess satisfaction level. Inside, the communication operators upgrade the front office and promotes the setting of objectives and strategies based on user needs.

The second purpose, value creation for citizens strengthening the policy-making, requires the design and the evaluation of public policies implementation..

The manegement of change, the third purpose, can be done by stating a single organizational identity, a vision consistent with overall strategic management: it defines resources requirements, organizational structure and planning process towards the targets, enhancing and promoting the best capabilities. In this context, external communication must notify and promote changes, sometimes subject to specific negotiations. Inside, it is necessary the

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[6] An example is the citizen's One Stop Office, which goes beyond the traditional setting of the Public Relations Office and the single points of production activities.

players' assent. Appropriately sensitized, players can promote mutations, especially if shared.

Communication prevents the exclusive concentration on the procedures and promotes the interaction among staff, citizens and businesses. All will be able to establish relationships with a shared sense of trust, highlighting the innovators, developing a positive sense of belonging and improving work environments. This enhances the external institution's image and reputation.

4. The tools of public communication

Contrary to popular misconception, communication to and from the employees (internal communication) is very useful for the functioning of any organization, public or private: the first stakeholders are their own employees, agents of change that must be persuaded of its necessity.

To be effective and efficient, internal communication must be planned and it has to clarify values to transmit and share (Alfonso, 2006). It must avoid the dispersion of information typical of the bureaucracy.

The instruments used for such purposes are different.

The modern intranet (Genova & Riberti, 2005) whose advantages are well known: widespread usability, timeliness of deliveries, the possibility of interactions among users and, ultimately, the ability to quickly search on which can be useful to offices. Other tools belong to the same category: chat, focus group, newsgroups and blogs, where you can freely express your thoughts. Traditional means of relationship with employees (questionnaires, surveys and interviews) are still valid.

Excellent internal relationships can develop even with IROs, Internal relations offices (Sabella, 2010) that should take care of these relationships with an interdisciplinary work of professionals (psychologists and sociologists of work, experts in law, etc..), with the aim at suggesting the direction chosen for the optimal use of human resources.

Among the internal communication tools, finally, the new letter to be sent only to employees, useful to inform, share and rationalize, as well as the house organ that shows the latest news, features articles of employees, sums up corporate data, etc.

The jargon used in all of these tools should be simple, modern, defeating the "gobbledygook".

External communication should involve competent and professional actors: the spokesman and press office staff (Coruzzi, 2006[2]). They can use formal means of communication such as press release, interview, press conference, and the tour that have significantly different functions. Tools are the informal working lunch and meetings with some limited press, etc.

The establishment of Offices for Relations with the public is privileged (Ambrosini, 2001). They should promote transparency and marketing services and

then listening to the citizens. Their functions can only be informative or supportive services provided by developing multi-functional activities[7].

In addition to these, *call centers* that promote the relationship with the users telephone. One of their recent evolution is the *contact center*: it implements measures of customer satisfaction and telemarketing through communications and information targeted against different target population.

These tools, which are typical of the digital society, may be added to those are traditionally used: TV, radio, newspapers, posters, flyers, etc. More direct contacts should be developed during specific cultural, business or religious events. Even newspapers can promote the regular meeting with the audience that can appreciate such as multimedia CD-ROM or DVD, or the use of special totem touch screen.

The future, however, appears to be based on digital communication: portals and websites.

5. Communications and information needed to management

The management of companies, including those supplies services in the Public Administration, is a series of decisions supported by information.

The information is the primal source of effective decisions based on timely and relevant news. An efficient information system is an essential requisite in the modern management model. It consists of elements that process data to obtain information able to support decision making process and to foster communication towards citizens.

Historically it has established, for-profit enterprises, the need to measure and report assets and income, early indicators of economic efficiency business, which is necessary for the durability of production units. Only a misunderstanding of the role of Public Administration delayed the emergence of similar logic in the public sector, creating unnecessary waste: this has often deteriorated relations with citizens creating extra-economic conflicts, dissatisfaction, pessimism (Tuccillo, 2009).

On the traditional accounting data often, is adding the accountability demand. Accountability is the entity's duty to inform somebody about, not only economic-financial information, but on actions in which entity is responsible (Petrolati, 1999): not only income and assets, but also information relating to environmental impact and, more generally, to social responsibility.

In Public Administration, information management and social, financial and economic communication is essential, considering that his work is judged by the people who contribute to policy and finance activities. A reporting orderly, prudent and timely fosters a positive reputation induced mainly by truth and transparency. The increased demand of information about procedures for collecting and spending of resources, comes from the dwindling public resources and the

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[7] There has been a positive experience of Public Relations Office network, combining small municipalities.

active participation of citizens, more sensible towards Public Administration's activities, together with a good knowledge of economic and international events. Contrary to businesses, Public Administration offices have developed a path of economic and financial transparency modest, although in development. This delay is due to a late-legislative approach and the greater complexity of their relationships with different categories of stakeholders.

Transparency is the essential first step of the economic-financial communication: it can promote a strong financial balance, especially because it facilitates the use of debt at minimal cost.

The heterogeneity of the target requires information systems that can match with the demand for accounting and accountability. For government, therefore, the social-economic-financial information system is complex and articulated. It includes information on the evolution of estimated and final income, finances, assets, and even social considerations on the effects of policy choices. For example, it's necessary to know annual and interim results, investment plans, financial sources, extraordinary transactions, etc.

Limiting the attention only on reports issued by local authorities, for example, communications could be distinguished:

1. with prevailing socio-economic information (social report and reports of political mandate);

2. with prominent news about balance sheets, income and financial statements.

6. Social Reports and Reports of Political Mandate

Complexity of globalized economic systems and business management, the ethical demands of society, international competitiveness and the vicissitudes of public and private governance highlight the inadequacy of the only instruments of economic and financial reporting, neglecting the social and environmental impact (Poselli, 2006) of different production contexts.

In Italy, methods for collecting qualitative and quantitative information are disseminated. They reflect the needs of knowledge and integrate traditional systems of general and analytical accounting. Accountability (Ricci, 2004[1] and 2004[2]; Pezzani et al., 2003) has the task of reporting on the fairness of the persons, the adequacy and relevance of the behaviours and achievements.

Among the techniques, international standards that analyze the relationships between the company and its stakeholders[8] and especially the social

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[8] Among the most common ones that relate to the entities: - workers and other providers (*Human Development Enterprise Index* e *Social Accountability* 8000); - consumers (Consumer Guides CEP - *Council of Economic Priorities*); - local communities (*London Benchmarking Group*); - all stakeholders (*AccountAbility* 1000). Other experiences are worth mentioning: - Q-RES, Italian project that was promoted by CELE (*Centre for Ethics, Law & Economics* of University of Castellanza); - SEAN, *Social and Ethical Auditing and Accounting Network*, developed in Italy by KPMG; - Finetica, obtained by the collaboration between the University Bocconi e of Lateran; - Il *Social Statement* by project CRS-SC the Italian Ministry of Labour.

report[9] that allows a communication strategy to pursue consensus and legitimacy to the social, a necessary prerequisite to achieving any purpose.

The principles for its preparation are: clarity, completeness, neutrality, competence, prudence, materiality and relevance, verifiability, comparability, etc..

It should explain the company's identity, interests converged, values and principles, the links between declared values and choices made. Organizational model includes the organizational framework, aims and objectives, relations with the environment and the local community, and finally the main social and cultural issues.

Among its many objectives, there are: the improvement of the image and relations with stakeholders, the assessment of the value added. The latter, in the public sector, has particular connotations, especially considering the social benefits that must be evaluated by appropriate investigations.

In Italy the drafting of the document is voluntary[10]. It is often referred to standard models. The most popular are those of European Institute for the Social Report, Global Reporting Initiative[11], and Study Group for the Social Report[12].

With ethically correct approach must avoid the risks to manipulate the communication, emphasizing the realized and neglecting the needs evaded: necessary, therefore, the direct control of the stakeholders to be involved in the design, preparation and approval.

With similar purposes, some Public Administration's offices draw up the Report of the political mandate related to the whole period of administration: municipalities, provinces and regions, are accountable to the people, with reference to the electoral program (Farneti & Pozzoli, 2005).

The document is not mandatory, but helps the consistency between the commitments made in the program mandate and actions triggered during the administration. It is therefore a political report, a summary of achievements in relation to the covenant with the electorate.

It is possible, but unlikely, that these reports may evolve into a "Participatory report (Alfiero, 2007)" which includes the direct involvement of citizens in the very first decisions on the allocation of resources. It would reduce the risk of inefficiencies and subsequent conflicts between PA and the community, but requires a direct involvement of the social categories, often learned in accounting.

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[9] In Italy there are countless state of scientific contributions in the field: Matacena, 1984; Rusconi, 2006; Mazzoleni, 2005; Hinna, 2004; Campedelli et al., 2005; Vermiglio, 2000.

[10] Exceptions: Onlus (Non-profit social entities) ex d. lgs. n. 460/97 and social enterprises ex DM 24 gennaio 2008, in GU n. 86, 11 April 2008. In DM in the last mentioned are identified guidelines for the preparation of the social report of social enterprises, pursuant to art. 10, paragraph 2, of Legislative Decree n° 155 of March 24, 2006.

[11] www.globalreporting.org.

[12] www.gruppobilanciosociale.org.

7. The financial and accrual reporting: origins, characteristics, functions

Italy chose the bureaucratic organizational model for the PA. It did prevail financial accounting respect to accrual, in law and practice (Borgonovi, 2004).

Theorized by Max Weber, the bureaucratic logic established a clear separation between politics and administration: the first has to set targets, timing, and mode of action, that is programming. The PA must, however, establish the means for achieving the goals. Thus it should have been avoided mutual influences between politics and administration. PA should be a device independent and neutral, absolutely independent of the political forces temporarily to the government.

This has created an administrative service closed, formal, interesting only on the respect of law. Internal controls are therefore limited to assessing the adequacy of the standards documents, matching a management audit.

Consequences: inertial and conservative behavior, preclusive of any innovation, to avoid risky liability.

The accounting tool best suited to the bureaucratic organizational model was the financial accounting that respects the principle of authorization necessary to preserve public finances.

So many rules have been enacted. Even the administrative offices have resisted new managerial concepts lead to judgments in relation to cost, effectiveness and efficiency, rewarding innovative behaviors that promote the achievement of objectives.

Managerial logics favor the dynamism with the aim at delivering timely services to users who becomes, at last, crucial.

For many years, in Italy, there has been a considerable debate between the promoters of financial accounting and the advocates of accrual accounting: effects on communication and accountability are intuitive.

Has long been mainly a prospectus otherwise called, with results derived almost exclusively from the cash flows and to which is added, sometimes, an inventory of resources. Even the best scientists offer reflections on the financial records and its actual results.

Rarer, however, studies and research on the economic-financial reporting required because it is believed that in the future, the report is intended, even in Italy, to have increasing importance in support of improving the quality of local public services (Maurini, 2005).

The preliminary definition of accountability is complex because its contents depend on the purpose and the context in which it is used.

The law, in fact, presupposes an activity performed in the interest of others: it is necessary to show the results of operations.

It establishes, therefore, a duty to provide information to evaluate the summary results.

In the economic sphere, the same approach in relation to the operating results that would normally intertwined financial and economic aspects.

The report captures character sheet to see the quantitative targets achieved in a period[13]: the final results which, however, usually also influence future choices.

In many organizations, and among them also local authorities, the report has many and varied functions, however, evolved over the years.

The original function of control over operations is always performed, but it connects to the informative function due to its stakeholders. Data collection and analysis of the results is not only aimed at identifying responsibility or at giving merits, but also to make choices related to future activity. The statement, therefore, also serves to reflect on the preparation of plans and programs, improving the management and then innovating procedures, structures, and the overall organization.

They are therefore three key stages of evolution of the functions of accountability: the instrument suite, private and internal act of protection of stakeholders; half aimed at the wider public interest. In relation to needs, the statement could be made of different elevations and not just content to take statistics in tabular mode. Even discursive forms might play similar functions, with significant efficacy. However, the economic dimension necessarily require quantitative analysis, so cash flow, balance sheet and income and expenditure account are central to the delicate function of representation.

Conclusions

Social and economic communication and reporting have been successful instruments for the private sector. The companies have entrusted to these documents the difficult task of asserting a positive reputation for the benefit of customer loyalty and, in general, the business success.

Although in different areas, these instruments must be properly used by Italian PA in the wake of new managerial principles. The value of these instruments, highlighted in the article, should be closely watched in the coming years, although the current results are positive[14]. Other Nations could identify, in the Italian situation, useful reflections for similar virtuous-circles.

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[13] The concept of report, is larger than the best known of statement that is made only by the balance sheet and income statement. Report, in fact, is the aggregate of financial and social results.

[14] For more about the whole issue discussed in this article, see Migliaccio, 2010.

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