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**Public Sector Management Innovation in particular territories: an Italian case study of
Special Autonomous Regions**

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Title of the paper:

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General theme of the paper:

Among 20 Italian Regions, there are 5 Special Autonomous Regions with particular status. They have historical and geographical peculiarities and have been enjoying political and fiscal protection. Some of these Regions are located in national boundary areas (Valle d' Aosta, Friuli-Venezia Giulia, and Trentino-Alto Adige) and the others are islanding Regions (Sicily and Sardinia). They have linguistic minorities and many of them adopt bilingual policy. Some of them have Regional Charters, which have priorities even to the constitution, because they were enacted prior to the constitution.

Now the validity of these special treatments is becoming the center of criticism from various points of view. There are Regions criticized protective fiscal policies, despite their economical and fiscal potentials. There are other Regions criticized of their mismanagement of government subsidies and EU funds. Some critics point out the old-fashioned framework still existing in most of these Regions. However little has been done to this reality, despite the constitutional reform of the Regions and changing status and characteristics of ordinary Regions. In terms of fairness, there are lots of issues in these realities. One can argue about protective and thus unfair fiscal policies, unclear subsidies without reasonable explanations, and only historical and not rational privileges reserved to the system and personnel.

When it comes to public service delivery and some innovative ideas as well as practices, however, some of these Regions have developed excellences. They are worth investigating. One of these service delivery excellences is found in Friuli-Venezia Giulia Region, which is located in the border area with Slovenia. The Region is the youngest Special Autonomous Region and has been enjoying not only the benefit from the status, but also from the strategic position as well as from its own innovative policies. Empirical research was conducted among the officials of the Regional head offices and of the municipalities in the territory. Questioners about the public service and its citizen satisfaction were analyzed, followed by semi-structural interviews to the officials. The result of this research would become a starting point for the discussion on the public service accountability in a politically peculiar system.

The research has been extended in Sicily Region, although it is at the very first stage. In order to understand the impact of cultural peculiarity on public management innovation, the research has been also extended to Sardinia Region, where the cultural identity of the territory has been reevaluated by the local administration.

The paper first describes the Italian regional system, especially about its Special Autonomous Regions; then the management innovations in Friuli-Venezia Giulia Region; and finally about the two other Special Autonomous Regions with very peculiar cultural traditions and their impact on public management.

Research methodology and empirical techniques used:

Level of customer satisfaction has assessed based on the SERVQUAL methodology (Parasuraman, *et al.* 1988, 1991, 1994).

Analysis of official documents of municipalities has been carried out. Semi-structured interviews to mayors, financial directors, and city managers of the municipalities within the Region have been carried out.

The case study has been conducted in Friuli-Venezia Giulia Special Autonomous Region, Sardinia Special Autonomous Region, and Sicily Special Autonomous Region. Customer satisfaction has been conducted and completed in Friuli-Venezia Giulia Region, started in Sicily Region.

Information about the research project:

The project is conducted under “The Governance Capability of Sub-national Governments in a Unitary System: Case Studies of Italian Special Autonomous Regions”, Grant-in-aid of the Japanese Society for the Promotion of Science no. 20402016 and the very first version (of the very first research) was presented at the IAS 2009 Conference “The History and Future of Nationbuilding, The Role of Public Administrations, Civil Servants and Public Finances”, Helsinki, Finland, 7-11 July 2009, under the title of “Public Service in particular territories: from experiences in Italian Special Autonomous Regions”, then at the Second Euro Mediterranean Public Management Dialogue, Portoroz-Piran, Slovenia, 7-10 October 2009, under the title of “Public Service in particular territories: from experiences of a special autonomous Region Friuli- Venezia Giulia in Italy, and then with some additional research results at the International Conference on Administrative Development “Towards Excellence in Public Sector Performance”, Riyadh, Kingdom of Saudi Arabia, 1-4 November 2009, under the title of “Public Sector Management Innovation and Customer Satisfaction: an Italian case study”.

Introduction

Since 1999 the Italian administrative institutions have changed with reference to the order and the functions of the regions (“Regione”), in a perspective which is commonly defined as federalist, although Italy is a unitary country. Stronger autonomy and empowerment of regions have been realized for the autonomous regions with special statute as well as for those with ordinary ones, through a new model of governance and by strengthening of statutory, legislative and financial autonomy (Kudo, 2005).

What comes out from the constitutional reforms of 1999 and 2001 is a new institutional setting that has unhinged the traditional centralistic Italian state. According to the criterion of “equality in the institutional order”, they focused on the role of the regions, which currently represent the joint-point of both local policy making and coordination of decentralized administrative functions. In the perspective of New Public Management and as an essential component of the “institutional decentralization”, the principle of subsidiarity has strongly influenced the redesign of the administrative functions and their reallocation from the central to the various levels of local governments in Italy.

This change has undoubtedly exercised a strong influence on modalities by which the regional administrations have been redesigning their organizational orders and introduced modernization in formulating strategies and elaborating plans and programs. This has been introducing a new managerial culture and has been upgrading information and accounting systems and managerial instruments. In general, this has lead the regions to exit from the spiral of rituality in the elaboration of plans and programs and to create organizations capable

to face the complexity deriving from the new status, even though, as usual, there are big diversities among cases. The research stretches to evidence some innovative cases in the panorama of the Italian regions, and focuses on the advantages and the issues encountered. These cases show innovations in programming, budgeting, service delivery, and reporting of administrative institutions (Kudo and Russo, 2008). This paper picks up a case study conducted in Friuli-Venezia Giulia Region, focusing its recent changes in service delivery, as the importance of good service delivery has been recognized more and more among public institutions, especially at local levels.

Why then focus on service? Partly because of the above mentioned changes in institutional setting as well as realities, but also because of the theoretical interest. The role of intangible assets as drivers of corporate performances became critical in management studies over the last few years (Brondoni 2004; Beretta 2005). The underlying idea is that intangible assets underpin the ability of any given organization to meet the expectations of its primary stakeholders (Rumelt 1987; Itami 1987; Barney 1991; Hall 1992; Peterlaf 1993). These assets can be very different: whereas some of them, such as trademarks and patents, can be considered in all respect as part of the assets of a corporation, others, such as intellectual capital, credibility vis-à-vis commercial partners, reputation in the eyes of customers and the like are non-proprietary in nature. Inasmuch as they contribute to sustainable competitive advantage, they influence in a critical way corporate performances.

In the last few years the debate among public management scholars has centred to a significant extent on the concept of “public governance” (Rhodes 1997, 2000; Kettl 2000), which helps understand what role belongs to public sector organizations when they maintain upon themselves the political responsibility to meet needs, but pass on to other organizations, along different patterns, the responsibility to ensure service delivery (“public function” vs. “public service” according to the taxonomy suggested by Borgonovi 1973). The fact that the concept of “public governance” is taken straight from political science studies implied that the debate, in Italy as well as elsewhere, has taken primarily a “macro” focus, i.e., centred on the analysis of system-level dynamics, and consequently on governance network (Kickert *et al.* 1997; Bevir 2002; Klijn & Skelcher 2007), and rarely balanced this emphasis with a “micro” focus, paying attention to the patterns how the discharge of their new responsibilities translates into the management practices of today’s governmental organizations.

Thus this paper highlights how conceptual developments regarding intangible assets can be effectively combined with the focus on public governance to make the debate more relevant for public sector managers, while bringing an innovative perspective into public management studies. Though local governments are in search of innovation to achieve social, environmental and economical sustainability in their territory, there are few examples of these excellencies. In order to focus on these processes, the author picked up a changing reality: Italian Regions, especially one of the most reform-sensible Friuli-Venezia Giulia Region among “autonomous regions with special status”. After the completion of the case research of this region, the author has started the second case research with the Sicily Region.

1. “What is Decentralisation?”

Political and financial decentralisation is often discussed, without defining what we meant by “decentralisation”. What is “decentralization”? If we should start the whole discussion from the very starting point, we certainly have to begin with the definition of “decentralisation” and to distinguish it from other similar terms. In fact, as the terms used to indicate somehow the similar concept, we have “devolution”, “delegation”, and “de-concentration”, besides “decentralisation”. Initially the term “decentralization” meant the opposite to the “centralisation” (O’Neill, 2005).

The term “devolution” is mainly used to indicate the political power shift from the centre (State level) to periphery (local level). It is more often used in political context rather than economical, financial, and/or administrative context. Decentralisation in political context includes, guaranteeing political representation at local levels, local elections, citizen participation, and accountability among others. In fact, “devolution” does not necessary include decentralisation of decision-making and public finance responsibility from centre to local governments (O’Neill, 2005). For example, gradual transfer of central governmental tasks and functions to local governments is accompanying “decentralisation” in Italy, while radical “devolution” of power with the idea of creating secessionist parliament has been exclusively discussed by Northern League as a political bargaining towards the coalition partners. In reality, use of the term “devolution” by Northern League to define its own political movement is somehow paradoxical because it originally does not include financial decentralisation.

Meanwhile, “delegation” is a term utilized in more concrete context and deals with administrative function and/or competence. However, we should also notice that the “delegation” of national function to local entity might be possible without real “devolution” of power and/or “decentralization” (O’Neill, 2005). In fact, in Japan, until recently, there were series of “delegated functions” in local governments, which were literally “delegated” by national government without any devolution of power and/or decentralization. The former “delegated functions” were guaranteed through national treasury disbursements and thus controlled directly and exclusively by the national government. “Delegation” could also mean the delegation of, decision-making on financial policy, responsibility on public finance, and financial resource from central to local governments. The term “delegation” indicates the transfer of decision-making power not only from central to local governments, but also from public to private sector. The latter in particular, is classified as “privatisation”. Finally the term “de-concentration” indicates the multiplication of decision-making power (O’Neill, 2005).

And what is really “decentralization”, then? When we discuss about “decentralization”, we know that it is something to do with power, structure, institution, function, process, service delivery, and participation. We often do not even distinguish these elements; however these elements are included in the concept of “decentralization”. The scientific definition points out that the “decentralisation” consists of political decentralisation and financial decentralisation.

Furthermore, we have to be aware what kind of “decentralization” we are talking about. Is it “decentralization” for legislator? Or for public service or civil service? Is it for business? Or for citizen? Decentralization changes second to the actor who is dealing the matter and the

actor who will be beneficial from the change. One common feature of decentralisation is that it aims at social and economical sustainability.

We also have to take into consideration, if we are thinking the concept of “decentralization” inside the framework of unified state or if we are considering the possibility of federal state. In case the discussed “decentralization” would lead us to a federal government, we are crossing the border of technical “decentralization” within the given framework of unified state, and thinking about the political, legislative, and financial “devolution” at the same time. Probably in Japanese context, not so many people are discussing about “decentralization” in the second sense. Major discussion is about the “decentralization” within the given framework of unified state.

Another curiosity is that when we discuss about the introduction of “decentralization”, just a few people mention about the problems of decentralization. Usually the articulation of the benefit of “decentralization” is: it will rationalize the expenses in local governments, it will bring citizen closer to the government and thus activate participation, it will respond and act more quickly to the needs of the citizen, and it will improve public service, and so on. However, do we really expect only benefits from “decentralization”? Does “decentralization” have no negative aspects?

Of course “decentralization” has negative impacts on various aspects. First of all, there is a “cost” of decentralization. Changing the power, structure, institution, function, process, service delivery, and participation costs a lot. More precisely, decentralization generates more decision making units, that is to say, more decision making time, and the loss would be calculated as new cost. The possible interference among these different decision makers could cause corruption. There is a possibility of integration difficulty, which might develop into divisionism view. Decentralization might cause differences among various units and thus widen negative differences. Decentralization might produce different standards for business practices and administrative processes in different places, causing problems for private business exercise and citizen. The transaction cost might be a new weight in the decentralized states. However, we did not discuss about these negative impacts which might be accompanying decentralization. Why?

It might be interesting to see, for example, the reaction of Japanese business federation towards the argument of “federal state”. When this federalist-oriented idea was first discussed in the Eighties, it was strongly against to the concept, however nowadays, it is promoting the decentralization. It is probably because the main concern of major business in Japan has changed. It focused first on administrative cost, and now on service delivery and consumer orientation. And it is understandable, that from the point of view of the consumer and service delivery, decentralization is much more beneficial to the private business. Of course the real reform in Italy to create more independent sub-national unit (Regione) could be an interesting example of the attempt to introduce a moderate federal system.

In conclusion, I would like to point out the remaining issues: definition of “decentralization”; classification of “devolution”, “delegation”, and “decentralization”; articulation of decentralization through power, structure, institution, function, service delivery, and participation; articulation of decentralization through actor (legislator, public service, business, citizen); and evaluation of the impact of decentralization, especially its negative impact.

2. Italian Local Administration System

The research focuses on Italian regions (*Regioni*) as cases and hypothesis that their juridical as well as administrative and financial settings. Italian regions were formally established with the 1948 Constitution after the Second World War, however became substantially active only in the Seventies. The twenty regions are classified into two types; autonomous regions with special statute and ordinary ones. The autonomous regions are five, which distinguishes themselves from other parts of the country in, territorial, historical, geopolitical, ethnical, and thus linguistic characteristics. They are, in fact, two main islands in Mediterranean Sea (Sicily and Sardinia) and three border regions (Trentino-Alto Adige/Südtirol, Aosta Valley, and Friuli-Venezia Giulia). The latter are 15, which also characterises themselves for their historical backgrounds from the middle age.

Since 1999 the Italian administrative institutions have changed with reference to the order and the functions of the regions, in a perspective which is commonly defined as federalist, although Italy is a unitary country. Stronger autonomy and empowerment of regions have been realized for the autonomous regions with special statute as well as for those with ordinary ones, through a new model of governance and by strengthening of statutory, legislative and financial autonomy (Kudo, 2005).

Regarding the vertical-horizontal distribution of government powers, the relevant authorities are: the central State (*Stato*), Regions (*Regioni*), Provinces (*Province*) and Municipalities (*Comuni*, which are close and familiar to local populations).

2-1. Municipalities

The Municipalities are the most ancient and the strongest institution in Italian public law. Tracing back their origins to the Middle Ages – if we do not count the Government and Parliament, centuries before the very concept of a unitary Italian State – they have always been, to some extent, the foremost institutions of local government and local autonomy.

After the administrative reforms of 1977 (d.P.R. n. 616/77), 1990 (l. n. 142/90), 1993 (l. n. 81/93) and 1998 (l. n. 59/97, d.lgs. n. 112/98), Municipalities are the only public bodies that can really challenge the State for the title of general governing authority – i.e. of authority empowered to bear and govern the whole range of interests of the resident population, on a full rainbow scope. As a matter of fact, Municipalities actually focus the bulk of their resources on a shorter list of issues: their own administration, mostly (over 23.695 billions Lit. on a total of about 81.748), followed by territory management (17.379 billions), social services (10.438 billions), provision of spaces, buildings and resources to primary schools (8.681) and local roads and transport services (8.372: data referring to current expenses, according to ISTAT, 2005). Public services such as city transports, waste disposal, water supply and almost the whole range of social assistance services are mostly run by Municipalities or by Municipalities-directed bodies, sometimes in form of joint-stock companies. This is in line with an ancient tradition, dating to the beginning of the XX century, which saw the Municipalities – before any other public body – taking directly on themselves

the management of economically relevant services (social housing; water, electricity and gas; urban and provincial transport etc.).

Actually, going one step beyond the mere statutory texts, it must be recognized that the undifferentiated and homogeneous discipline of Municipalities, with their governing and bureaucratic organs and their powers, hides great differences among corporations that bear the same name. Among the 8.101 Italian Municipalities, 4.614 have a population of 3.000 or less inhabitants and only 143 go beyond 50.000 (ISTAT, 2006). One has to remind that the real administrative capacity and efficiency of those that we call “pulverized Municipalities” (*Comuni-polvere*) is obviously as limited as their size, as is often impaired as well by the natural handicap of having their population thinly distributed in mountainous, rural, isolated or insular territories.

For smaller Municipalities, the weaving of intergovernmental networks – be it in the shape of agreements on single issues or full-fledged stable public or private legal bodies – is the only way not to miserably fail in the accomplishment of their administrative tasks. So poignant is this problem, that in the 2001 reform of the Italian Constitution regarding all the matter of regional and local entities, the principle of subsidiarity in the distribution of administrative bodies is closely followed and integrated by the principles of differentiation and adequacy, which recall at the highest level the opportunity to promote and also, when necessary, impose cooperation (the “loyal cooperation”, as it is named by the Constitutional Court) among the Municipalities, and beyond them the Provinces and the Regions in their relationship each other and with the State.

2-2. Provinces

As for the Provinces, these bodies took their present-day form only recently in the contemporary age, alongside the Napoleonic model, being both a district of decentralization of State administration and a corporate body with additional, own powers, strictly controlled by a resident Prefect appointed by the central Government who was advised by a board of members (an Administrative *Giunta*) which were – partially (1888-1928) or in its entirety (post 1928) – appointed by the national Government as well.

A substantial degree of political autonomy, i.e. the choice by free election of the members of the Provincial Council, was reinstated only in 1946, after the fall of the Fascist Regime: and the 1948 Constitution - reinforced on this point by the New Title V, reviewed in 2001 - has put also the Provinces as well under its protection, giving them political autonomy, thereby imposing a clear cut between local State offices, directed by the Prefect (who is, *inter alia*, the main local responsible for police and public order), and the Provinces, now a full-fledged autonomous body, ruled by representatives elected by the people and able to express their own policies.

Nevertheless, the Provinces are constrained between the legislative supremacy of Regions (and obviously the State) and the historical and - one could say - natural administrative powers and functions of the Municipalities – whose total expense are, as an average, three times those of the Provinces – and can therefore be undoubtedly recognized as the weakest link in the chain of local government in Italy, enjoying the scantest powers and the most feeble popular support.

After the reforms of the late 90s, Provinces have many regulatory and planning functions and a few properly administrative powers. In 2005, the main expenses of the Provinces concerned their own administration and management functions (almost one third of current expenses and more than a quarter of investments: values not far from those of Municipalities, but in a context of less heterogeneous and pulverized institutions), followed at some distance by expenses in the following fields as follows:

1. supply of spaces, buildings and resources to high schools of several types;
2. land planning and territory management (but not at the urban or town scale);
3. environment, use of water and waste disposal administration;
4. transports and provincial roads;
5. economic development such as territorial marketing.

Actually – being the administrative tasks concerning high school utterly bound by legislative provisions and the chronic lack of resources for the very basic needs of schools – only in the last four fields are the Provinces actually able to express some extent of policy autonomy.

It is no wonder, therefore, that a persistent skepticism surrounds these corporations and that the recurring proposals for the institutions of new Provinces are mostly regarded as lacking any real public interest ground, apart from the mere local ones.

2-3. *Regions*

The relatively new bodies in terms of judicial definition as local governments – and those that should theoretically be the least involved in day by day administrative tasks – are the Regions. Though proposal for the institution of such bodies had been put forth since the XIX Century by very varied viewpoints, such as the catholic-theocrats (Gioberti) and the lay-republicans (Cattaneo), it was not until the democratic Constitution of 1948 that the Regions took form. Actually, the Regions of our days differ greatly from those imagined and they provided for in the Fundamental Law that had to wait almost a quarter of a century to be implemented, during the year's '70ies..

They were initially conceived as mainly legislative and programming bodies, that ought to have almost no administrative powers and a not numerous personnel, but the Regions of today devote most of their resources to the administration of the health care systems – that was split from a single national network in the sum of 21 regional services through the reforms of the years '80, and many other administrative tasks.

The history of Italian regionalism is actually not linear at all: while the five Regions – all of them “border” Regions – with special autonomic powers were created soon after the Constitution (with the exception of Sicily, whose special autonomy statute was provisionally granted in 1946 even before the beginnings of the Constituent Assembly, to quiet and possible quell local and violent turbulence, and Friuli-Venezia Giulia, that had to wait 1963 to see the issue of the international status of the city of Trieste settled), the other so called “ordinary”

Regions became effective only during the 70s, and not before a long and troublesome starting period, which ended only in 1977, with the a constitutionally acceptable transfer of administrative powers from the central and unitary State to them. Meanwhile, the enthusiasm for what had been designed as a tool for a more effective democracy and a renewal of the entire Republic and the public spirit had waned and only few Regions have given a satisfactory proof of real governmental skills.

3. Function of local governments

Local government functions are all defined in various national law and orders. Here are some of the significant legislative backgrounds and their definition of competences.

Art. 113 of d.lgs. n. 267/2000 reproduces the provision of art. 22 of the first general law regarding local government – l. n. 142/1990 – which provided for some different juridical forms to supply public utilities: among them, the special firm and the joint-stock company with prevailing public capital.

The budget law for 2002 – l. n. 448/2001 – seriously changed such rules, by introducing the principle of separation between the management of infrastructure networks and the management of utilities supplying. According to l. n. 448/2001, these utilities were to be classified in services of general economic interest and services of general interest. This distinction was the base for a different system of supplying the utility:

- 1) the distribution of services of general economic interest had be regulated by competition, i.e. by public tenders for choosing the services supplier; as regards the joint-stock companies, private shareholders had to be chosen through public tenders as well;
- 2) the management of services of general interest could be assigned directly to institutions, special (i.e.: public) firms, joint-stock companies where local government had a sharing.

The most important feature was the provision of the commercial company pattern as the only one suitable for the supply of services with economic relevance.

In 2003 (d.l. n. 269/2003) another distinction, deriving from the European law, was accepted: the rule introduced the definition of services of economic relevance and services without economic relevance, but it did not specify which utilities belonged to the first typology or to the other. An administrative regulation is still expected to provide such determination. The two regional laws which were approved in Lombardy specify precisely which services must be recognised under the definition of “economic interest”.

The new rules do not change the principle of separation between the managing of plants and networks and the supply of the services. Three ways of managing the utilities are introduced, all based on the pattern of the company: the joint-stock company, the joint-stock company with mixed (public and private) capital, the joint-stock company with totally public capital. In the case of joint-stock company the assignment is based on public tenders. In the case of joint-stock company with mixed (public and private) capital, the public tenders are due to determine the choice of the private partner, but not necessarily the assignment of the service.

In the last case a direct assignment takes place – it's the so called in house system – and the rule provides for the choice of companies which are completely controlled by the local government institutions

A relevant decision of the Italian Constitutional Court was adopted in 2004 with reference to local public utilities. Sent. n. 272 assigned the subject exclusively to national legislation, but only with regard to the services with economic relevance, since the Italian Constitution entrusts the “safeguard of completion” to the State. The regional competence is implied in the case of services without economic relevance, because they cannot be supplied under the rule of free competition.

The Government presented a bill, d.d.L., S. n. 772 in 2006, in order to be delegated to reform the organization of local public utilities. Art. 2 provides for:

- 1) the assignment of services with economic relevance only through public tenders in order to choose the supplier, even though the plants can be kept under public property;
- 2) the assignment to joint-stock companies with totally public capital through the *in house system* only exceptionally;
- 3) the direct assignment to joint-stock companies with mixed capital – where the private partner is chosen with public tenders – only exceptionally;
- 4) if the local government must it does not apply the rule of tender and chooses the direct assignment system, it must declare and state the public interest grounds for such a decision.

In terms of regional laws, there are certainly big varieties of laws according to the situations which characterize each Region. Here are just some cases. Before the last evolutions of national law, the Regions produced special statutes regarding single utilities (i.e. water and waste management).

In these last years, the second generation of regional laws – an extremely limited number, indeed – is characterized by a regulatory model which considers in a unitary way the general category of local public utilities. Lombardy and Abruzzo have already adopted rules which enact and develop national law, whereas Tuscany regional assembly is about to do so as well.

Lombardy law n. 26/2003, regards waste management, energy and water. It defines the services «of general economic interest» and it does not include local public transport, which is governed by a specific law. This was recently revised by law n. 18/2006, which confers to local governments the powers to govern local utilities with economic relevance. The law of Abruzzo Region n. 23/2004 regulates waste management, water and local transport.

4. The case of Italian Regional Governments

The role of intangible assets is especially important for one subset of public sector organizations: regional governments. In Italy, in particular, they are entrusted the responsibility to plan, steer and control public administration throughout the territory of the Region, and the political debate under way, in Italy as well as in other countries, seems o

suggest that their role is going to become even more relevant. Italian Regions, therefore, do not deliver services directly, but measure their performance based on their ability to influence and drive the activities of other players, be they local governments or private firms.

The case of Italian Regions, on top of its intrinsic relevance, takes on a paradigmatic value vis-à-vis the new public management patterns emerging from the transfer to other entities of the task to combine inputs in such a way to deliver public services, a trend that to some extent can jeopardize the very idea of public “management”.

The exercise of public governance responsibilities by Italian Regions, even more taking into account the constitutional reform of 2001, cannot be based exclusively on hierarchical mechanisms, but must necessarily rely as well on the ability to leverage the trust and credibility developed in stakeholder networks (Kickert *et al.* 1997) in order to fulfill their institutional mandate. In this respect, Regional Governments must address a recurring problem in the management of intangible assets, i.e., to find ways to measure reliably to what extent key stakeholders are satisfied with their performance. The picture is made more complicated by the fact that Regional Governments do not deal directly with final service users: it is impossible, therefore, to rely on the traditional tools available to measure customer satisfaction.

4-1. Goals and methodological set-up of the empirical analysis

Empirical analysis is currently under way in order to find out along what patterns Regional Governments can measure this specific intangible asset. The survey is conducted by a group of colleagues lead by Prof. Luca Brusati from the University of Udine, Gorizia Campus with the Special Autonomous Region Friuli-Venezia Giulia. The answer to the research question comes from a single case study (Yin 2003) addressing the experience of Special Autonomous Region Friuli-Venezia Giulia. The limitations of single case studies are well known; on the other hand, this case highlights unique features suitable to provide an answer to the research question, at least in an exploratory perspective.

Special Autonomous Region Friuli-Venezia Giulia is piloting an assessment, based on the SERVQUAL methodology (Parasuraman, *et al.* 1988, 1991, 1994), of the satisfaction level of local governments with the free legal advice they can ask for to the Regional Government itself. This service is provided by all Italian Regions, but it plays a peculiar role in Special Autonomous Regions, because of their peculiar responsibilities in setting the legal framework where local governments operate. Legal advice is provided to local governments according to the subsidiary principle, in place of the authorizations granted in the past by Regional Control Committees (*Comitati Regionali di Controllo*, or CO.RE.CO.), and it represents one of the most important ways in which public governance is exercised in practice at local level.

The pilot project under way is meant to serve as a basis for the establishment of a regular monitoring system about the satisfaction of the users of legal advice, suitable for replication

with reference to other areas of intervention of Special Autonomous Region Friuli-Venezia Giulia. The peculiarity of this pilot project lies in the willingness to measure the satisfaction of a set of institutional users with reference to a professional service provided in the framework of a non-market relationship. In this respect, the insights gathered from a critical assessment of the case of Special Autonomous Region Friuli-Venezia Giulia help reflect on possible scenarios for integration of the public governance paradigm with the management tools which modern regional governments can adopt to manage intangible assets in such a way to meet their institutional commitments.

Data are being collected using a variety of techniques, so as to ensure a better reliability through triangulation (Corbetta 1999). On top of documental analysis and participating observation, during the reporting period structured interviews were carried out with at least one representative for each municipality of Special Autonomous Region Friuli-Venezia Giulia. The questionnaire used for the interviews was designed jointly by the research team with representatives of the Regional Government and of the Friuli-Venezia Giulia Branch of the National Association of Italian Municipalities, by adapting the questions envisaged by the “standard” SERVQUAL methodology to the specific features of legal advice provision, and pre-tested with a sample of legal advice users.¹

All Mayors and City Managers were invited to notify the contact information of legal advice users in their own municipality to the research team. Interviews were limited to management-level users, including mayors, commissioners, city managers, department managers and middle managers, but excluding line employees. A maximum of three interviews were performed in each Municipality, so as to avoid unbalanced representation. Interviewees were classified as “users” provided that, over the last three years, they requested either written legal advice at least once a year, or verbal legal advice at least twice a year, or used the legal advice data base at least twice a year. A small sample of non-users was also interviewed, to check whether their expectations were consistent with users’ expectations. 93.6% of the representatives of the municipalities were interviewed, primarily among city managers. Since small municipalities in Friuli-Venezia Giulia, as elsewhere in Italy, share a city manager with one or more of their neighbours, the number of interviews performed (175) is less than the number of municipalities involved.

Taking into account that some interviewees represent more than one municipality (up to six in at least one case), and that some municipalities are represented by up to three interviewees, it was decided to analyze questionnaires focusing on individual respondents rather than municipalities, so as to ensure the same weighting to all answers. Questionnaires were collected in an anonymous format, but respondents were requested to spell out their organizational position, seniority in public service, educational background and the size of the

¹ In the SERVQUAL methodology twenty-two statements measure service providers’ performance across five “standard” dimensions (i.e., tangibles, reliability, responsiveness, assurance and empathy), using a seven-point Likert scale measuring both users’ expectations and perceptions. All the statements associated to the “Tangibles” dimension were dropped, because of their limited relevance for the service at hand; the remaining statements were re-worded to ensure their appropriateness *vis-à-vis* legal advice provision.

municipality they work for, measured by the number of inhabitants. City managers with responsibilities extending to more than one municipality were asked to indicate their aggregate citizenship, meant as a proxy for organizational complexity.

Survey (Questioner and interview) outline

Provinces	Participant	Non participant	Not interviewed	Total
Gorizia	25	0	0	25
Pordenone	44	5	2	51
Trieste	6	0	0	6
Udine	129	7	0	136
Total	204	12	2	218
Percentual	93.6%	5.5%	0,9%	100%

4-2. Findings from the research results

As the collection of data and its processing has been delayed and thus the analysis of data and interviews has not yet published by the Region, some information cannot be disclosed. The author hopes that the Region would finally publish the report, thus in the future paper, all the data could be included for the analysis.

Answers about expectation and perceptions, as envisaged by the SERVQUAL methodology, were compared to measure the satisfaction level of legal advice users. Customer satisfaction was measured both in terms of gaps (expectations minus perceptions) and in terms of ratios, expressed on a zero to ten scales (perceptions / expectations x 10). Gaps and ratios were calculated for each of the sixteen questions featured in Section III and Section IV of the questionnaire, then average ratios were calculated for each of the four dimensions of customer satisfaction. It is interesting to highlight that, in many instances, respondents’ perceptions proved higher than expectations, thus resulting into negative gaps and ratios above 10.

The questionnaire also asked respondents to spell out their own judgment of the relative importance of these four dimensions. In order to ensure comparability of these judgments, respondents were asked to divide up a total of 100 points across the four dimensions. This survey of the relative importance of each dimension proved extremely valuable in itself, since

the variability emerging from the answers highlighted that legal advice users can be divided up in different segments, whose expectations should be met by placing emphasis on different aspects of service provision.

The same judgments were also used to come up with a summary measure of customer satisfaction, calculated by weighting the average ratios awarded by each respondent to the four dimensions of customer satisfaction.

Among different forms of legal consultancy, most local administrators seemed to appreciate on-line services. It shows that the local public servants rely strongly on databases and less confident on direct services.

The next step is to explore the links between summary measures of customer satisfaction and respondents' identifying parameters (organizational position, seniority in public service, educational background and the size of the municipality they work for), so as to allow for a better segmentation of "demand" for legal advice provision. Ultimately, the empirical analysis is meant to support the establishment of a regular monitoring system about the satisfaction of legal advice users, suitable for replication with reference to other areas of intervention by Special Autonomous Region Friuli-Venezia Giulia as well as by other Regional Governments.

5. Remaining Questions and Future Research Project

There is a fundamental issue that has not been addressed from the beginning of this research, that is; do Italian local governments have peculiarities or have more common characteristics to other local units in Europe and/or in other areas? The peculiarities of Italian institutions, political, public administrative, and business, have been a historical debate issue, however it seems that recent literatures stress more common characteristics of its institutions, rather than the historical perspective of stressing the differences.

Under the European integration and especially with the introduction of various measures for local governments, citizen services, and over all, the principle of subsidiarity, there are apparently more and more common characteristics among local governments institutions in various European countries. However this research has been initially dealt only with Italian cases and has not taken into consideration other countries. Nevertheless, it has been dealing only special autonomous regions in Italy, which have more peculiarities than similarities to the major part of the Italian regions.

First, the research has to be widened to other four special autonomous regions in Italy. The author has been already in contact with Trentino-Alto Adige Region, Sardinia Region, and Sicily and has started semi structural interviews in Trentino-Alto Adige Region and in Sardinia Region in relation to their service delivery. With Sicily the project has just started and preliminary interviews have been conducted among regional public servants. The author

also took first contacts with representatives of Valle d'Aosta Region. The next step should be the empirical research in these four special autonomous regions.

Then, these results should be compared with the ordinary regions. The author has conducted various researches on this regard (Kudo and Russo, 2008), so there are possible candidates for this comparison. Tuscany, Veneto Region, and Emilia-Romagna Region are among others. The following step should be the comparison between special autonomous regions and the ordinary regions.

Finally, there should be international comparison. And this would prove the very initial question of the peculiarity of Italian reforms. However this would be of another dimension.

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