



# The integration of performance management and risk management in the public sector: an empirical case

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## Abstract

Performance management and risk management in the public sector have undergone significant improvements; however, few empirical studies have conceptualised the integration of performance management and risk management. This study aimed to understand why it fails in practice and turns into disintegration. To do this, we analyse the role of different actors involved in the integration between performance management and risk management. We have conducted our analysis at the organisational level in a regional context, adopting two different research methods, documentary analysis and collections of interviews. This paper contributes to the theoretical debate with interesting new insights about organisational practices in the public sector. In this research, we adopted the disintegration framework, broadly used as a research methodology in the ontological and social paradigm as reported (Täubig in *Totale Institution Asyl*, Juventa Verlag, Munich, 2009) for analysing the integration and disintegration between performance management and risk management. This approach presumes the collective engagement of researchers and practitioners, which can help bring to the surface the knowledge embedded in practice and transform it into actionable knowledge to produce practice changes. This study contributes to the public accounting literature by providing empirical evidence about organisational practices in the public sector. It offers a practical and general understanding of performance management and risk management practices functioning in public government. It shows the fundamental role played by key actors when performance management and risk management practices are implemented. This empirical research also has practical implications, creating the basis for the implementation of an integrated system of performance management and risk management in regional governments.

**Keywords** Performance management · Risk management · Integration · Disintegration

## 1 Introduction

Since the 1990s, the Italian public sector has been interested in several new public management (NPM) inspired reforms, aimed at introducing changes in the structures, processes, mechanisms, and tools of public organisations to improve performance (Pollit & Bouckaert, 2004). However, not infrequently, these reforms have not produced the desired results, highlighting the existence of what some authors (Ongaro & Valotti, 2008) have defined as an ‘implementation gap’. The latter depends on multiple factors, including the presence of clientelism (Kickert, 2005), a bureaucratic culture linked to the importance of administrative law (Capano, 2003), which orients behaviour towards the formal respect for the rules rather than their substantive contents.

According to several authors (Borgonovi & Rusconi, 2008; Hood, 1991, 1995; Hughes, 2012; Lapsley, 2008), the implementation gap is mostly due to the failure of the NPM paradigm, since it is focused excessively on the dimension of efficiency and cost reduction, mainly pursued through the decentralisation of functions from the state to local authorities, the privatisation and/or outsourcing of services to external subjects, and the uncritical introduction of tools and methods ‘designed for the private sector’, without considering the specificities of the public sector. However, the financial crisis in 2008, and the Covid-19 pandemic, highlighted the crucial role of the state and the importance of effective public action, not just efficiency, to meet the growing needs of the community. This economic, social, and cultural change has pushed legislators towards a new round of reforms, no longer oriented towards reducing the costs of the public apparatus but towards improving the performance of organisations and creating public value (Deidda Gagliardo, 2007; Moore, 1995).

Among these, the introduction of performance management and risk management tools plays a prominent role. Performance management includes all managerial activities aimed at monitoring, measuring, and improving individual and organisational performance. The main goal of performance management is to run the activities effectively and to increase the public value for the multiple shareholders involved, and it is considered an important tool to modernise public services (Anderson, 2008; Joyce, 2007) and to align individuals’ behaviours with organisation goals (Chenhall & Langfield Smith, 2003). Risk management, instead, is considered a governance and control mechanism (Karreman & Alvesson, 2004; Power, 2007) that is useful for supporting decision-making processes (Hutter, 2006). It is aimed at avoiding incidents that could prevent organisations from achieving their objectives and ensures that the risks related to them are acceptably low. Performance management and risk management processes “are often separated, run by different organisational sectors and built on different frameworks and systems of thinking” (Thekdi & Aven, 2016). Thekdi and Aven (2016) in their work evidence the importance of integrating the two systems since “good risk management leads to good performance management”.

Traditional performance management processes are often unable to address challenges with multiple or conflicting objectives, while risk management can

support decision-makers and prescribe desirable actions. Indeed, the goal for integrated performance management and risk management is not necessarily to minimise risk, but to recognise risk and define how to react to unpredictable events. The frequent occurrence of unexpected events, such as natural disasters, pandemic events, and financial crises, makes traditional performance management systems, based on historical data, unsuitable.

Risk management systems can enhance the effectiveness of organisational performance management systems implemented by governments. All organisations face several kinds of risks that should be considered in their strategic planning, everyday activities, and internal and external assessment constraints. However, risk management has been mainly investigated in the private sector, as assessed by a recent review of the literature (Braumann et al., 2024) which maps the antecedents, integration and outcomes of enterprise risk management from a management accounting and control perspective. This review also evidences how risk management is strongly influenced by organisational risk culture, which is hard to change unless external shocks occur (Bui et al., 2019).

The main issue is not risk avoidance or risk elimination but risk awareness and its management to avoid or reduce the threat to public value creation. According to Audit Scotland (Mackie, 2018), organisations that seek to avoid risk entirely are unlikely to achieve the best value. Thus, effective performance management requires continuous risk assessment to ensure that organisational members, leaders, the public, and other stakeholders are kept informed of organisational risk, including corruption risk. To manage organisational risk properly, performance management systems should incorporate risk assessment and management activities (Mackie, 2018).

In recent years, public management scholars and regulators have stressed the importance of the integration of performance management and risk management (e.g. Halligan, 2009). Despite these calls, especially in the stream of the contribution of public value (Deidda Gagliardo & Saporito, 2021), there are still few empirical studies (e.g. Capaldo et al., 2017) that evidence how the integration works in practice. Researchers have mostly focused their attention on the risk related to disintegration (Arena et al., 2017), while the conditions that enable or hinder integration have been little investigated.

To fill this gap, the present work contributes through exploratory research that analyses the integration between performance management and risk management within the case study of the Friuli Venezia Giulia Region. To address this aim, we used the (dis)integration framework (Täubig, 2009), commonly used in sociology, to investigate the status of the degree of integration, and we try to answer the following research questions:

- RQ1: What are the enabling conditions that favour the integration of performance management and risk management?
- RQ2: What are the conditions that hinder the implementation of performance management and risk management integration in practice?

The research methodology consists of three steps. After a desk analysis of the performance management plan and the risk management plan, to determine the

degree of interconnection among the strategic and operative objectives defined, we analysed the procedures followed by public managers for integrating performance management and risk management. Finally, we interviewed key actors involved in the two processes. Our findings show that performance management and risk management have an acceptable degree of integration in the relevant documents, but in the operational context the two ‘cycles’ are not integrated due to several obstacles. We provide a conceptual framework to assess the enabling/hindering conditions that lead to (dis)integration. This research contributes to the academic debate by providing empirical evidence and conceptual reasoning of the enabling and hindering conditions for performance management and risk management integration within public sector organisations, showing the dynamics and factors that can determine its success or failure.

The paper is organised as follows. In the next section, an overview of the literature is provided. In the third section, the framework used is presented. In the fourth we explain the methodology followed to answer the RQs. In the fifth section, we present and discuss our findings. Finally, we draw conclusions and implications.

## 2 Literature review

In the last decade, efforts to ‘reform the government’ and improve performance in public sector organisations (including central government, local governments, and other public sector organisations such as hospitals, educational institutions, and police forces) have fostered the diffusion of performance management practices (Hood, 1991, 1995). Previous studies (Lapuente & Walle, 2020; Ongaro & Valotti, 2008; Alkaraan, 2018; Bruno & Lapsley, 2018) highlighted how public administration reforms have encountered numerous obstacles, first and foremost a persistent bureaucratic culture that has prevented their effective implementation and the production of the desired results.

In this sense, valid support for the analysis of the dynamics connected to the introduction of new tools or practices within organisations comes from institutional theory. Specifically, accounting scholars (Burns and Scapen, 2000; Miller, 1994) used an institutional framework to investigate how accounting practices in organisations are influenced by institutions, agencies, and stakeholders, evidencing the crucial role played by the social culture, beliefs, and values.

According to Barley and Tolbert (1997), institutions are created and changed by individual actors. This means that all institutional reforms aimed at changing the rules and routines (Burns & Scapens, 2000) of any kind of organisation, such as those introduced by legislators in their attempt to improve public sector performance, can be successful only if the principles contained become part of all involved actors’ beliefs. However, special interests and the political nature of organisations strongly influence the way institutional changes are addressed by organisations (Dillard et al., 2004), especially public ones, thus determining their effectiveness.

Even the introduction of performance management encountered many obstacles in making its way into public administrations (Deidda Gagliardo & Saporito, 2021; Andersen, 2008; Calandro & Lane, 2006; Chowdhury & Shil, 2021; D’Amore, 2019;

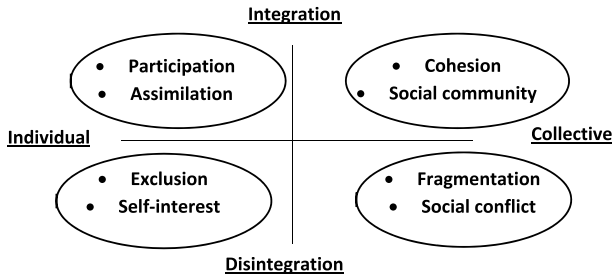
Deidda Gagliardo, 2019; Gherardi, 2018; Hutter, 2006; Mikes & Kaplan, 2016; Politt & Bouckaert, 2004; Rehak, 2021; Schatzki, 2002).

However, the presence of performance management does not eliminate the possibility that future events can affect the achievement of the expected performance. Performance failure is often attributable to circumstances beyond the control of a failing organisation, namely risky events, which are not considered in goal setting, the *ex-post* analysis of the results achieved, or the feedback mechanisms, which tend to focus on 'what happened', not on 'why it happened' or 'what to do about it' (Capaldo et al., 2017). Thus, there is literature that considers risk management and performance management as two complementary systems (Palermo, 2011, 2017).

In the public sector, risk management is an organisational process aimed at defining actions to prevent the destruction of value, or dis-value (Esposito & Ricci, 2015). In other terms, while performance management is oriented towards achieving objectives, risk management is oriented towards maintaining performance in the light of certain risks (Thekdi & Aven, 2016). Barrett (2014) highlighted how proper risk management allows the monitoring and anticipation of probable events, threats, or opportunities to ultimately improve the performance of an entity. He recognises the relevance of empowering the logic of risk management in the top bodies of public administrations (Barrett, 2014). Additionally, Lai et al. (2013) evidenced that risk management improves corporate performance and, therefore, allows value creation.

Recent works that draw attention to the dynamics of integrated performance management and risk management are critical. In the manufacturing sector, a study conducted by Kaiser and Obermaier (2020) showed a negative linear relationship between the degree of vertical integration and firm performance in the contingent claim pricing framework (Choi & Kim, 2018), and the same was found in production system development (Neumann & Winkel, 2005). While this framework has been commonly investigated in the private sector (Arena et al., 2017; Hinger & Schweitzer, 2020), it finds scarce application in the public sector.

More recently, Galli and Kaviani (2018) confirmed that academic scholars are paying growing attention to risk management and to corruption-related risk. Furthermore, the lack of integration between risk management and performance management and the absence of operational tools suitable for managing risk, as the main critical issues of performance measurement systems implemented by local governments, have been identified (Palermo, 2011, 2017). Despite academic and practitioners' calls for integrating risk management and performance management, research has warned against the risk of system disintegration rather than integration (Arena et al., 2017; Bracci et al., 2020, 2022). Theoretically, this integration should be carried out in different steps. Starting from the results of an in-depth analysis of the context in which the entity operates, the first step of integration between the two systems could take place in the definition of strategic objectives and related indicators, which should consider the risk factors that could impact them (Woods & Linsley, 2017). A second step of integration should take place in the formulation of the operational objectives, for the definition of which it would be necessary to consider the associated risk probabilities. These two first steps of integration would generate, on the performance side, a 'planning document' including all defined objectives and,



**Fig.1** The (dis)integration framework of concepts

at the risk management level, a register or catalogue of risks. In the risk treatment phase, the key risk indicators could become organisational performance indicators to be achieved and monitored; thus, the risk treatment measures could become organisational or individual objectives.

In conclusion, the goal of the integration is the improvement of the performance management system through a timely risk management activity, which allows the definition of the best operational and strategic objectives that minimise risk and ultimately improve the performance of the entire entity.

### 3 The (dis)integration framework

In English, the word *disintegration* commonly denotes ‘the process of losing cohesion or strength’ or that of ‘coming to pieces’ (Oxford English Dictionary, 2016). Within the social sciences, it is employed to describe the character or composition of societies (as collectives) but not the actions of or policies towards individual members (or those formally demarcated as non-members) of these societies. In German debates (Täubig, 2009), the word *disintegration* has been used more frequently concerning the exclusion of certain individuals from society.

Our analysis expands on the broader connections between integration in the strategic process, which leads to disintegration in the operational process. Integration and disintegration are not a simple binary categorisation but are intertwined concepts since the logic of one is always present in the other. We use the notation (dis)integration to describe this intertwining. The (dis)integration framework (Täubig, 2009) considers the complex interrelations between apparently contradictory processes, concerning certain individuals or groups (see Fig. 1). This allows better engagement with processes of negotiation that are not necessarily government driven. This framework comes from German sociologists regarding social disintegration (Heitmeyer, 1994). However, in this paper, we consider the relationship between integration and disintegration (Collyer et al., 2020) at both the individual and collective levels in an empirical context by highlighting situations where the integration and the disintegration of certain individuals come out in everyday practices.

This framework allows us to consider the role of individuals and groups in (dis)integration. At the individual level, we have integration when it is possible to see the participation of individuals and a process of assimilation, while, at the collective level (in citizenship), integration requires cohesion and social community. On the other hand, it is possible to see disintegration on the individual side (at the bottom left of the matrix in Fig. 1) when a high grade of exclusion and self-interest is present. Self-interest generally refers to a focus on the needs or desires (interests) of oneself. At the collective side (at the bottom right of the matrix of Fig. 1) this is evident with a high level of fragmentation and social conflict. Social conflict occurs when two or more people oppose each other in social interaction, and each exerts social power with reciprocity to achieve incompatible goals but prevent the other from attaining their own. In this paper, we contribute to the literature evidencing the conditions that enable or prevent integration in the public sector. Specifically, we combine two different methods of analysis: desk analysis, where we highlight formal connection and consistency between key documents, and semi-structured interviews, where we highlight practical situations where the (dis)integration of performance management and risk management of certain individuals is produced by everyday practice. We show how the actors have diverging interests and set up activities to expand their sphere of influence, entering fields that initially were not within their competence. In this process, the distance between people increases even more, so this analysis ‘on the borders’ (Bracci et al., 2022) will show the disintegration.

## 4 Methodology

### 4.1 Data collection

This is an exploratory study using a case study methodology since it allows us to delve deeply into ways of integrating performance management and risk management and the effects in practice in a regional government. Within the range of qualitative approaches, this framework is the most appropriate for this purpose. The tools of qualitative research methodologies, such as structured interviews with key informants, are the best option for investigation (Lukka & Vinnari, 2014). To conduct our analysis, we used different methods of data collection. We first used desk analysis to analyse the integration in the official documents approved by the regional government to manage performance and risks (Krippendorff, 2013), and then we collected interviews. This study was conducted during the pandemic period in Italy. The data (13 individuals/collective interviews) started in October 2019 and finished in December 2020 and were collected using the Google Meet platform.

During the desk analysis, the following documents were analysed:

- Government plan from the president of the region 2018–2023
- Strategic plan 2018/2023
- Performance plan 2020<sup>1</sup>
- Document of regional economy and finance<sup>2</sup>
- Corruption and transparency plan 2020–2022
- Annual report from the evaluation board.

Then, interviews were carried out to understand the everyday practice in greater depth. We simulated how the existing organisational performance management tools, such as the Performance Plan, could be modified in order to integrate the risk dimension. Thus, it was necessary to identify, with the collaboration of the key managers interviewed, operational methods to understand these activities, useful for making these links immediate. This was achieved by focusing on a research unit, the agri-food sector, which is the area that drives economic performance the most, but at the same time the one most exposed to risks (e.g., water risk).

Following the logic that drives disintegration, we analysed the performance management cycle, and within that, we aimed to determine if the risk management cycle could be integrated by:

- (1) Checking the performance plan for one or more operational objectives deriving from a strategic objective, if there were suitable indicators (valued in terms of targets and timing), and, if not, identifying an appropriate operational indicator.
- (2) Defining a register of operational risks (possibly taken from internal management system models or existing nomenclatures) and then identifying an operational risk linked to the selected operational objectives that, if revealed, would not allow full achievement of the objectives.
- (3) Identifying any operational risk and identifying an operational objective capable of mitigating it.

The first step was to analyse the official documents of the Friuli Venezia Giulia Region, the Strategic Plan, the Performance Plan, and the Corruption and Transparency Plan. The second step was to organise guided interviews with the regional managers in charge of setting up the documents analysed in the first phase of the research. Thus, we interviewed the public employees dedicated to the drafting of the documents analysed to understand the process dynamics that led to the formalisation of performance (such as the strategic and operational objectives in the strategic plan) and risk cataloguing (limited to corruption risk) in the Corruption and Transparency Plan. Once the dynamics were explained, the third step was to understand the integration in practice. In other words, we asked key actors in the interviews if it

<sup>1</sup> (Annex I of Resolution 192/2020).

<sup>2</sup> Resolution no. 59 in the session of 25 July 2019 and no. 68 in the session of 11 December 2019. [http://www.regione.fvg.it/asp/delibere/layout2008\\_2.asp?pag=1&cerca=true&anno=&num=&tx\\_dataDel=&key=PIANO%20DELLA%20PRESTAZIONE&uf=SERVIZIO%20PROGRAMMAZIONE](http://www.regione.fvg.it/asp/delibere/layout2008_2.asp?pag=1&cerca=true&anno=&num=&tx_dataDel=&key=PIANO%20DELLA%20PRESTAZIONE&uf=SERVIZIO%20PROGRAMMAZIONE). [http://www.regione.fvg.it/rafv/export/sites/default/RAFVG/GEN/piano-strategico-2018/allegati/PianoStrategico\\_2018\\_2023.pdf](http://www.regione.fvg.it/rafv/export/sites/default/RAFVG/GEN/piano-strategico-2018/allegati/PianoStrategico_2018_2023.pdf)



was possible to identify a strategic risk and an associated operational risk from the strategic and operational objectives. If yes, was it possible to identify the treatment measure for this risk? And vice versa, from the mapping of strategic and operational risk, was it possible to associate strategic and operational objectives that mitigated them?

The data collected from the interviews were firstly analysed using a data-driven approach considering text-mining techniques and then computer-assisted qualitative data analysis (CAQDA). Descriptive analysis and Latent Dirichlet Allocation (LDA) were carried out using R Studio (R Core Team, 2021) and the packages *tm* and *topicmodels*. LDA is a hierarchical topic modelling algorithm that, through a generative statistical model, treats each document as a probability distribution on the various topics and classifies the documents based on the percentage of textual schemes in common. To summarise, for each document, after fixing the number of topics, in LDA the words in a document are modelled through the Poisson distribution, while the topics are assumed to be distributed as a Dirichlet random variable. Finally, the multinomial distribution is exploited to allocate each word in a topic. Given the number of topics ( $k=6$ ) and words in a document, the model parameters are estimated via the variational maximisation-expectation algorithm. At the end of this phase, a set of keywords (codes) were identified to conduct the CAQDA, three related to performance management (performance, objective/objectives, plan/planning) and three for risk management (Risk/risks, management, strategic). The CAQDA was carried out using NVivo software, setting an automatic procedure to select the codes in the documents (auto-coding). We should mention that the codes can be overlapped in the documents. The usefulness of CAQDA in business and management was surveyed in Sinkovics & Alfoldi (2012). After the identification of these codes, some indicators have been proposed to give a measure of the disintegration concept. These indicators are based on the following quantity:

$$C_{0,i} = 1 - \frac{(K - K_{0,i})}{K}$$

where  $K$  represents the total number of considered codes and  $K_{0,i}$  are the codes not detected in the  $i$ -th interview. The final indicator of disintegration over the  $p$  interviews is computed as the arithmetic mean of the proportions  $C_{0,i}$ , as follows:

$$\text{Dis} = \frac{1}{p} \sum_{i=1}^p C_{0,i}$$

To consider also the frequency of codes detected in the  $p$  interviews, a weighted version of the indicators is also proposed and can be expressed in the following form:

$$w\text{Dis} = \frac{1}{p} \sum_{i=1}^p C_{0,i} \cdot w_i$$

and the weights are defined as the proportion of codes in each interview on the total number of codes:

$$w_i = \frac{n_{k_i}}{n}$$

where  $n_{k_i}$  is the count of codes in the  $i$ -th interview and  $n = \sum_{i=1}^p n_{k_i}$  is the total count of the  $K$  codes.

## 4.2 Setting the context

In Italy, the integration between performance management and risk management has been prescribed by law 190/2012, and it has been strengthened by the National Anticorruption Plan in 2019, which redefines the functions of the various figures involved in corruption risk management and assigns the specific methodological task of ‘promoting integration between the performance management cycle and the corruption risk management cycle’ (NAP, 2019). The importance of managing the performance management and risk management cycle in a coordinated way is highlighted by the recent introduction (Law n. 80/2021) of the integrated plan of activities and organisation, aimed at integrating planning tools to direct them towards the creation of public value (Deidda Gagliardo & Saporito, 2021). With the introduction of these reforms, performance management and risk management in the public sector have undergone significant diffusion in the Italian context (Kearney, 2018; Kimura & Mourdoukoutasm, 2000).

The research site of this study was Friuli Venezia Giulia Region, an Italian intermediate level of government. Italy has three levels of government: a central government; an intermediate level of government, called regions; and municipalities. Friuli Venezia Giulia is a region in the northeast of Italy that overlooks the Adriatic Sea and borders Austria and Slovenia. There are 1.215 million inhabitants in the region, and among them are numerous foreigners, mostly citizens of Eastern Europe (Romania, Albania, Ukraine, and the former Yugoslavia). These foreigners account for almost 20% of the total population, with this percentage increasing due to the war between Russia and Ukraine. The region has become the European humanitarian corridor for people escaping from the war. From an economic point of view, Friuli Venezia Giulia (together with Lombardy) has the highest GDP growth factor. The main product of the agricultural sector in this area is wine, the quality of which, especially the white variety, is known throughout the world, although the sector is suffering from hydrogeological risk and a water emergency.

To conduct our analysis, we used different methods of data collection. In particular, we used desk analysis to analyse the integration in the official documents approved by the regional government to manage performance and risk. Friuli Venezia Giulia is a ‘special statute region’, benefitting from greater institutional autonomy and more financial resources than other regions. In the past, this region enjoyed a reputation for good and efficient administration (Ongaro & Velotti, 2008).

**Table 1** Integration of policy documents

Policy documents	Integration
Government plan Strategic plan	The government plan is integrated with the strategic plan (with an explicit reference) The strategic plan has its origin in the government plan
Strategic plan Performance plan	The performance plan refers to the strategic plan of the region, and there is also a direct link with the corruption and transparency plan
Performance report Performance plan Strategic plan	The performance report is integrated with the performance plan and strategic plan. Moreover, there is integration with the corruption and transparency plan
Regional document of economy and finance Strategic plan	There is integration with the strategic plan
Corruption and transparency plan Strategic plan Performance plan	There is formal integration with the strategic plan and the performance plan but related to the corruption risk

## 5 Results

### 5.1 Desk analysis results

In line with the conceptualisation of disintegration, as spelt out in the theoretical section (Fig. 1), this section looks for connections (integration or disintegration) between the policy documents. The objective of the desk analysis is to analyse the integration between performance management and risk management. The documents were analysed with a twofold objective: to identify both formal and substantial internal consistency (see Table 1).

The Government Plan lists the crucial issues on which the government will work in the five-year term. Analysing the contents of the plan, it was clear that there was a connection with the Strategic Plan, for example in the Government Plan dedicated to infrastructure (with explicit reference to the port system, the airport, and the high-speed railway). This issue was also reported in strategic line no. 5 of the 'Large infrastructure and unified territorial plan' Performance Plan and specified the link. Continuing to the agri-food sector, we found consistency with the Strategic Plan, with two strategic lines: 'Agricultural world and environment' and 'Culture and quality tourism'.

The Strategic Plan is a document with its origins in the Government Plan, and it summarises the overall strategy of the regional government. It connects the political mandate to the administrative structure, defines the guidelines and lines of action expressed in the government programme, and refers to a legislative time frame, defining the principles and objectives to be pursued over five years.

The strategic lines by organisational structure, with evidence of the various involvements in the implementation and pursuit of the strategic lines detailed in the plan, are shown in graphic form. Moreover, in the first part of the Strategic Plan, a socio-economic analysis of the region is reported with a SWOT analysis. In this regard, from a careful reading, albeit indirectly, in the section called 'Scenario', an

analysis of the strategic risk underlying the strategic objective is presented. As an example, the strategic line ‘Family and well-being of people’ contains the following:

...in the next 50 years, the number of people aged over 80 will double compared to regional citizenship. These factors could determine the spread of chronic degenerative diseases and, consequently, an increase in the number of non-self-sufficient people, particularly among elderly people who live alone, mostly women.

This appears to be a risk analysis, a premise for the definition of the strategic line and the strategic mission then detailed in the Performance Plan.

The performance plan is a full-bodied document but easy to read, as the graphic sections are well alternated with the textual sections. The plan is divided into four sections: the first is dedicated to the presentation of the region; the second is dedicated to the strategy; the third is dedicated to performance, divided into objectives; and the fourth is dedicated to defining the reporting system. Finally, there are the annexes, which are nothing more than the Performance Plan of the five instrumental bodies of the region. Briefly, in the first section, the statistics concerning the human resources of the entity are reported, which are useful to give a concrete idea to the reader of the ‘workforce’ plan present in the regional body. Continuing with Sect. 2, entitled ‘Strategy’, the plan illustrates and describes the strategic planning cycle of the Autonomous Region of Friuli Venezia Giulia. It is specified that the planning cycle starts from the definition of the strategy, which originates in the government programme of the legislature and is set out in the Strategic Plan of the region. It continues with the annual operational planning, in the definition of the objectives of the Performance Plan, with explicit reference to the annual budget and a link to the tools that can be used to monitor the results.

The analysis showed a high level of coherence between the performance management flow and what is described in the Performance Plan. We also found a direct link with the Corruption and Transparency Plan.<sup>3</sup> At a certain point in the Performance Plan, it is stated that ‘the coordination between the documents is intended to guarantee both the integration between the performance management cycle and the matter concerning the prevention of corruption and transparency’ (p. 30). Referring to the ‘Communication’ section in the plan, it is specified that ‘The Performance Plan is born within a process of sharing that involves all the management representatives of the regional administration’ (Performance Plan, p. 30). Regarding the monitoring phase, it is specified that, every six months, as of 30 June 2020 and 31 December 2020, the monitoring process is carried out, comprising the measurement of performance indicators achieved versus targets (the management control phase). These results are collected in the Performance Report published on the institutional website by June 30 of the year 2021.

The Performance Report is also sent to the Evaluation Board for validation. This board monitors and ensures the correctness of the performance management cycle. In analysing the ‘core’ of the Performance Plan dedicated to the strategy, we report the eight strategic lines that are consistent and taken directly from the 2018/2023

<sup>3</sup> Corruption and Transparency 2020–2022 (approved with DGR n. 113 of 30 January 2020).

Strategic Plan. For each strategic line, we found a brief description, taken from the 2018/2023 Strategic Plan. These were divided into 18 missions, linked to their respective budget allocations for the three years 2020–2022. The strategic missions that, as defined in the integrated performance management–risk management theoretical model (Bracci et al., 2020, 2022), would find natural specification in strategic objectives and operational objectives are first linked to the regional department. In the Performance Plan, the objectives defined concerning corruption and transparency are different, as their title is preceded by the words ‘performance transparency and corruption measures’. This circumstance underlines the formal integration between the two documents: the Performance Plan and the Corruption and Transparency Plan 2020–2022. Analysing the merits of the Performance Sheets, reported in the plan (Annex 7, p. 73), these describe the methods of achieving the results of all objectives, strategic objectives, and operational objectives, with the indication, by strategic line and related mission, of the implementing structures, managers, performance indicators, and targets.

The Regional Document of Economy and Finance was drawn up to ensure harmonisation and connection with the strategic and planning documents. The document is divided into three sections, maintaining the same division as the other programming documents:

- The first section (pp. 1–18) reports the socio-economic analysis of the region, with statistics that offer the reader the reference scenario, with the key economic indicators.
- The second section (pp. 22–149), the most closely related to our analysis, reports the income and expenses, by qualifications and missions, for the three-year plan, 2020–2022.
- Finally, the third section is dedicated to regional instrumental bodies.

Referring to the second section, each mission is linked to the pertinent strategic line, chosen from among the eight strategic lines identified in the Strategic Plan. The same mission is then detailed in programmes and, at the same time, the organisational structures concerned are identified and the policies to be adopted are discussed in detail. Concerning the degree of integration of the Regional Document of Economy and Finance with the other Performance documents, there is certainly a greater degree of connection with the Strategic Plan due to the coinciding horizon time for both documents (three-year planning), which differs from the Performance Plan, which is more focused on the annual horizon. However, if we want to read the performance cycle, we can say that the Performance Plan is more specific in terms of targets and the individuals responsible for reference actions, while the Strategic Plan describes in depth the strategic lines that are reported in the Regional Document of Economy and Finance with the budget allocations that make them feasible.

The Corruption and Transparency Plan 2020–2022 of the Friuli Venezia Giulia Region is a substantial document that can be divided into two sections: the first dedicated to Risk Management, and the second to transparency. For our analysis, the attention is focused on the first part, which, after a brief introduction, is entirely focused on the methods of dealing with corruption risk.

Firstly, the purposes of the plan are to identify the activities in which the risk of corruption is highest and to try to mitigate them. Before going into the contents of the document, the Corruption and Transparency Plan (p. 7) describes the process of drafting the plan, and all the documents that represented sources are listed, including the Strategic Plan and the Performance Plan. It is stated that, in the final phase, there was a phase of communication and dissemination of the plan itself; thus, there is a formal coherence with the processual flow of the theoretical model. This analysis briefly reports the information with an organisational chart in tabular form that provides the list of structures and departments, with a repetition of the same table shown in the Performance Plan. Regarding the mapping of the activities, it is confirmed that this task was completed in 2019 because of a table that reports a match between the activity (defined as an administrative process) and the related risk area (defined as per the National Plan of Corruption) (Corruption and Transparency Plan, p. 20).

Regarding the identification of risky events, it is explained in the plan that a series of interviews was carried out with general management, and each director was asked, based on his or her perception, to identify one or more events potentially related to corruption risk. The questions submitted to the executives were formalised and contextualised in the regional structure according to the so-called 'enabling factors', also asking for a synthetic judgement (from 1 to 4) and each indicator of the estimated risk of exposure to corruption (high, medium, and low). Thus, the corruption risk catalogue was collected. Therefore, the Corruption and Transparency Plan contains a detailed process of weighing and measuring corruption risk.

From the desk analysis, we also understood that the definition of the strategic objectives in the Performance Plan of the Friuli Venezia Giulia Region derives from the strategic lines present in the Government Plan. From the integration perspective, these objectives should consider the respective levels of risk that impact the organisation, as defined in the Corruption and Transparency Plan. The risk assessment phase will influence the formulation of both the strategies and the operational objectives that will flow into the Performance Plan. In this central phase of the development of the document, involving both performance (Performance Plan) and risk (Corruption and Transparency Plan), the real integration between the two cycles should occur.

In conclusion, from this analysis, we have discovered a formal integration between performance management and risk management about corruption risk, resulting in the drafting of a three-year Corruption and Transparency Plan with the more general Performance Plan. Thus, from the desk analysis, we have shown the integration that we have uncovered in the key documents. Another purpose of the desk analysis was to understand that the Performance Plan can find better formulation (in an evolved form in the near future), with a more in-depth consideration linked to strategic risk and operational risk and their assessment, and, consequently, a redefinition of strategic and operational objectives according to the risk and anti-corruption analysis.

## 5.2 From formal integration to operational integration

From an operational point of view, the analysis started by identifying the key actors involved in the performance management and risk management processes. In so doing, we developed an in-depth understanding of each actor's tasks and responsibilities, detailed as follows:

- *Performance manager* The main actor involved in the implementation of the current Performance Plan. He is also responsible of: Programming, Strategic Planning, Management Control, Statistics, and Occupational Safety Service.
- *Risk manager* The coordinator of the various parties involved in the Risk Management system who is responsible for the correct functioning of the Risk Management process. He is also responsible for training and support activities, as well as for the monitoring, control, and updating of the system. The risk manager must also define and periodically review the Risk Management process since the strategic guidelines are established by top management and the inputs are collected from all operators. This figure was currently present in the organisation chart of the region, with tasks that could be like the risk manager, as the head of transparency and anti-corruption.
- *Other managers and figures* These belong to different organisational levels of different operating units involved in the management of individual objectives and individual risk and in making decisions as treatment measures. Specifically, a pilot unit was chosen, namely the Central Directorate for Agri-Food, Forestry and Fish Resources – Deputy Central Director, Director of the Agri-Food System Competitiveness Service. In this regard, both the contact person and two officials considered responsible for strategic objectives were interviewed.

Thus, the starting point during the interviews was to understand the current role in the organisation to try to get information about the various steps and their application in the practice of performance management and risk management integration.

From the statistical analysis of the codes from the transcription of the interviews, it was inferred that each of the actors had a strong interest in his or her issues. There were diverging interests that did not allow the implementation of integration in practice, however, which shows disintegration. The results of the interviews are summarised in Tables 2 and 3. Table 2 depicts the number of codes registered for each interview, while the percentages of coverage are summarised in Table 3. The coverage is defined as the percentage of text that has been classified under a specific code. Note that the codes can be overlapped and also that there are interview excerpts without any code association. For this reason, it is not ensured that the sum of the coverages accounts for 100%. Coverages exceeding 30% are depicted in grey.

For example, the performance manager was mostly oriented on the issues of objectives, planning, and performance, without considering related risks, because he does not consider risk an issue within his competence (see Fig. 2). Moreover, the same interest in these words was maintained even after having illustrated the model and hypothesised its implementation. The performance manager also said during the

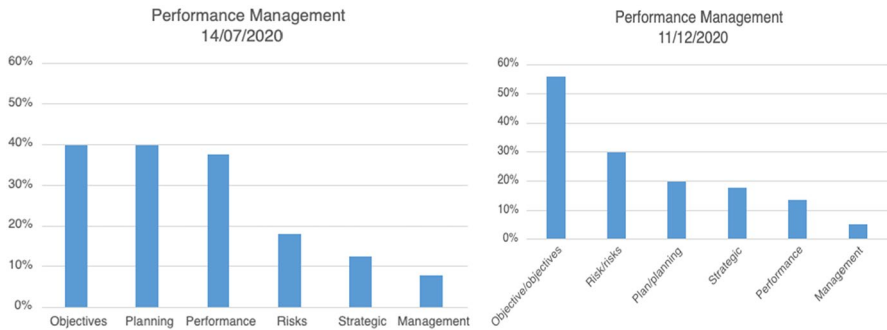
**Table 2** Performance interests versus risk interests: number of codes

Interviewees	Date	Performance interests			Risk interests		
		Performance	Objectives	Planning	Risks	Management	Strategic
Risk manager	13/07/20	2	1	4	4	0	1
Performance manager	14/07/20	6	7	7	2	2	6
Risk manager	30/07/20	0	0	2	4	0	0
Director for strategic plan and management control	03/08/20	7	3	4	0	4	1
Agri-food manager	08/09/20	2	9	2	12	3	2
President of evaluation board	29/09/20	6	4	3	12	9	1
Manager internal auditing	30/09/20	0	7	2	5	0	3
Risk manager	21/10/20	0	6	3	11	1	0
Directorate for agri-food, forestry and fish resources	04/11/20	0	3	0	4	0	2
Risk manager	23/11/20	1	2	2	3	0	2
Agri-food manager	02/12/20	1	3	0	0	0	3
Performance manager	11/12/20	3	8	3	5	1	3
Performance manager-risk manager-agri-food manager	19/12/20	4	9	8	22	2	3
Total		32	62	40	84	22	27

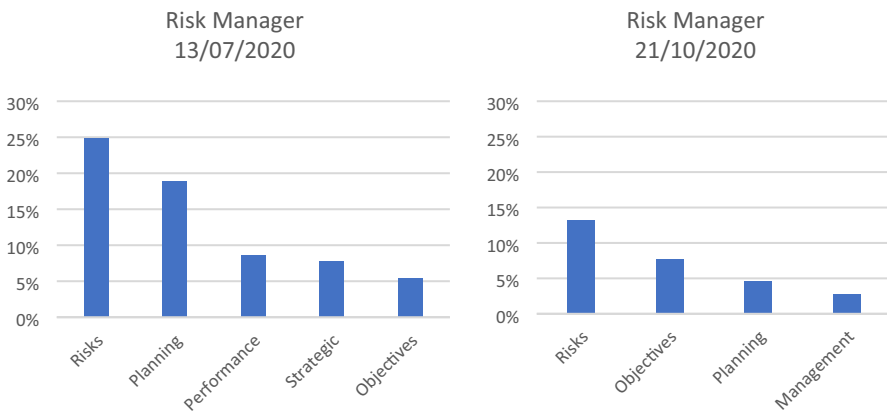


**Table 3** Coverage of performance interests versus risk interests

Interviewees	Date	Performance Interests			Risk Interests		
		Performance	Objectives	Planning	Risks	Management	Strategic
Risk manager	13/07/20	8,6	5,4	18,8	24,9	0,0	7,8
Performance manager	14/07/20	37,3	39,8	39,8	39,8	7,9	12,4
Risk manager	30/07/20	0,0	0,0	43,9	50,1	0,0	0,0
Director fo strategic plan and management control	03/08/20	19,9	11,3	13,9	0,0	14,9	2,6
Agri-food manager	08/09/20	11,2	40,2	5,4	40,5	10,2	5,4
President of evaluation board	29/09/20	29,4	18,3	13,3	42,4	25,5	6,8
Manager internal auditing	30/09/20	0,0	12,9	3,8	10,0	0,0	5,5
Risk manager	21/10/20	0,0	7,6	4,6	13,2	2,7	0,0
Directorate for agri-food, forestry and fish resources	04/11/20	0,0	2,4	0,0	5,1	0,0	1,0
Risk manager	23/11/20	3,7	14,0	19,4	23,1	0,0	19,4
Agri-food manager	02/12/20	12,1	49,1	0,0	0,0	0,0	20,6
Performance manager	11/12/20	13,4	55,7	19,9	29,7	4,9	17,7
Performance manager-risk manager-agri-food manager	19/12/20	2,9	6,9	4,7	13,9	2,6	2,1
Average values		10,7	20,3	14,4	22,5	5,3	7,8



**Fig. 2** Performance manager interest



**Fig. 3** Risk manager interest

interview that he is facing an ‘IT limitation’, that is, “we have hired software with which we are facing daily problems”.

Similarly, by analysing the results of the interview with the risk manager (Fig. 3), an almost exclusive focus emerged on risk-related issues, especially corruption and *risk planning activities*, and it did not change after having illustrated the model and hypothesised its implementation.

Considering the disintegration framework, it was possible to see the exclusion and self-interest because the performance manager was mainly focused on the topic ‘objective’ versus the risk manager’s interest, which was mainly oriented on the ‘risk’ issue.

In contrast with this evidence, in the interview with the president of the Evaluation Board, there emerged a focus on both areas, with a predominant interest in *risk issues* rather than *performance issues* (Fig. 4).

From the interview with the president of the Evaluation Board, we discovered a cultural gap, since she confirmed that ‘*there are entire areas that public managers tend to manage separately; it looks like an pipe organ. ...there is not a strong*

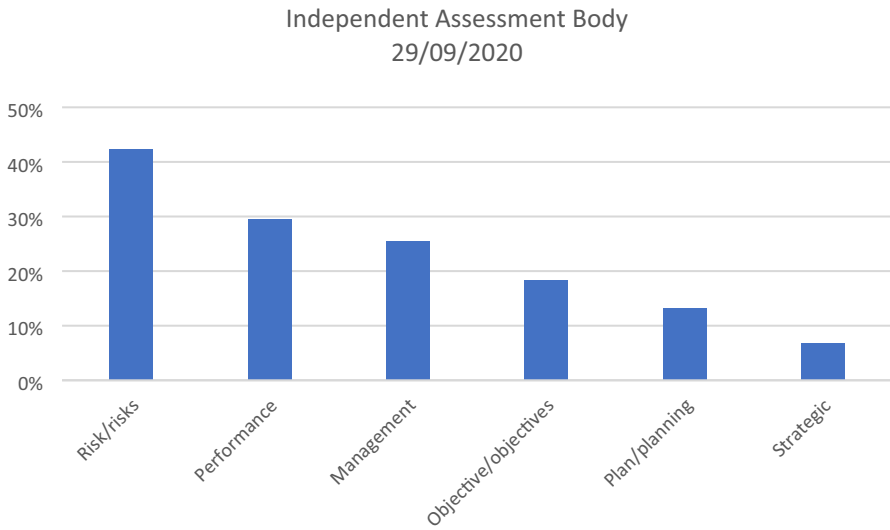


Fig. 4 President of Evaluation Board’s interest

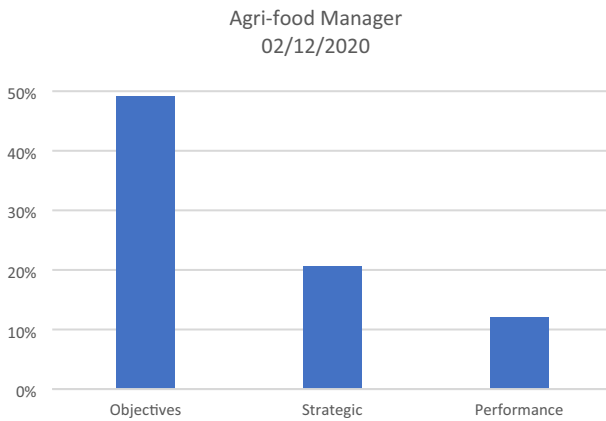
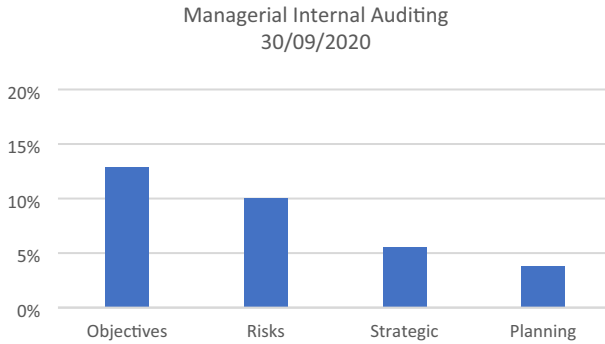


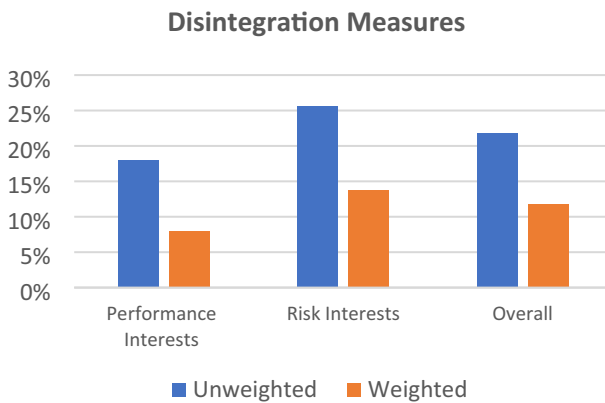
Fig. 5 Agri-food interest

*connection between strategic planning and the operational delineation of the objectives and the expected results...there is a major weakness in process mapping, which is still seen as a fragmented bureaucratic procedure instead of an integrated cycle.'*

Finally, from the interviews with the manager of the research unit chosen, the Agri-Food Department (see Fig. 5), we found a strong interest in the 'objective'. This confirms the impression of the president of the Evaluation Board, who confirms in his interview that each public manager had low interest in the overall performance management planning and planning of the organisation because he is interested instead in achieving the objective of his department; thus, he is not interested in the



**Fig. 6** Managerial internal auditing interest

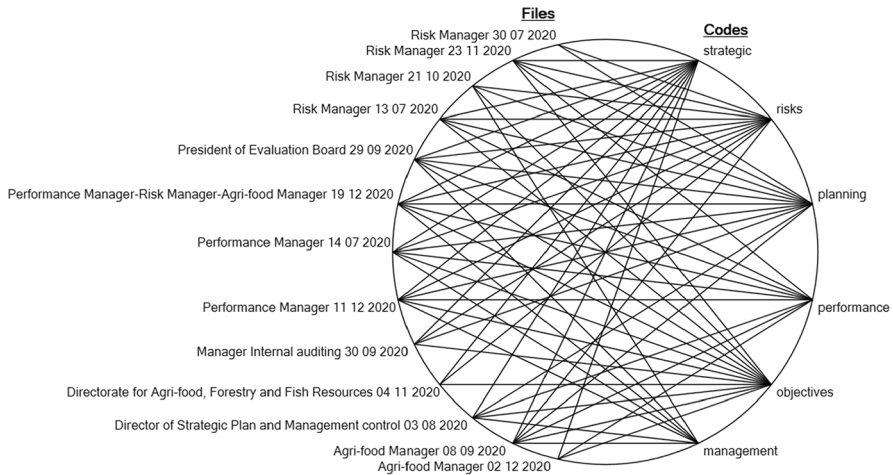


**Fig. 7** Disintegration measures

overall performance management and risk management of the entire organisation. Considering the disintegration matrix (Fig. 1), we are still in the self-interest area.

Moreover, we interviewed the manager of the internal auditing system (Fig. 6). In the interview, the manager said, *‘This process that has come forward over the years, where these activities, these planning actions are correctly implemented, is, in my opinion, not sufficiently accompanied by a cultural change, that is, by an indication that makes the message pass as a stimulus, an incentive and not as a burden. On this issue, I believe at this moment we still have work to do. Let’s say that this is an idea that we have always had in mind, but which then, with the need to instruct practices and the rest, obviously faded into the background’*. He continues: *‘This means that the cost/benefit value of the activities leaves the interpretation of each of the question marks, which, from my point of view, are also quite important, because they would require a homogeneity in the approach, a common orientation within the administrations which are composed of different departments’*.

All the actors interviewed showed a strong interest in the issues to which they were linked, creating *fragmentation* and *social conflict*. These aspects do not allow



**Fig. 8** The disintegration

the real implementation of an integrated model between performance management and risk management. To give a quantitative measure of the disintegration in the present case study, the unweighted and weighted disintegration code-based indicators presented in Sect. 4 were computed. The values of the indicators can be obtained by using Table 3 for the overall six coded interests and for both performance and risk.

Figure 7 shows the main results for both the unweighted and weighted code-based indicators of disintegration. To summarise the results, the weighted measures are generally lower than the unweighted ones, while the disintegration is greater for the risk-related codes (interests) concerning the performance-related interests.

As we can see from Fig. 8, each manager defines his or her sphere of interest (planning, objectives, risks). This shows what in our theoretical framework is called self-interest, which refers to a focus on one's own needs or desires (interests). Therefore, the first level of disintegration is evident, namely the individual one (see the matrix of disintegration in Fig. 1, bottom-left quadrant).

## 6 Discussion and conclusion

The integration between performance management and risk management in public organisations is a topic that deserves attention (Deidda Gagliardo & Saporito, 2021) as it could be an internal driver of public value creation. However, as this research shows, the internal dynamics related to self-interest and the behaviours of actors are key to understanding their (dis)integration.

This study described the status of performance management and risk management integration in a pioneering Italian regional government, Friuli Venezia Giulia. Despite the efforts, the integration is limited to the documentary level and remains disintegrated at the operational level. Specifically, while it is true that a formal integration between the documents was found by the desk analysis in this study, it was

not found in the analysis of the interviews, where instead disintegration (Täubig, 2009) was apparent, as evident in Fig. 6.

Moreover, taken together, these processes lead to fragmentation (see the matrix of disintegration in Fig. 1, upper-right quadrant). In the interviews, participants certainly do consider the reasonable risk; however, this assessment is subjective. By the term ‘fragmentation’ we mean breaking down an integrated process into separate and non-coordinated stages. Here we focus more intensively on a simple characterisation of the performance management and risk management process when fragmentation takes place at the organisational level.

In other words, some managers know that the goal must be challenging, measurable, and strategic, but it must also be achievable. Some managers evaluate many risks and therefore propose fewer challenging objectives; others, bearing in mind that there are potential risks, but they are somehow manageable, force a little more in defining the objectives. This assessment was carried out, but almost ‘based on gut feeling’, not with an organised model. Certainly, as the Performance Manager declared, ‘there is no linear path of definition of objectives, sharing of risk assessment, and redefinition of the objective’. Thus, analysing the results obtained from interviews considering the disintegration matrix (Fig. 1), a *self-interest* approach emerged at the individual level. Moreover, at the collective level, all the actors interviewed showed the strongest interest in the issues to which they were linked, creating *fragmentation* and *social conflict*. These aspects do not allow the real implementation of an integrated model between performance and risk.

Furthermore, both the risk manager and the performance manager are almost exclusively focused on their area of competence and the tasks assigned, creating *fragmentation and disintegration*. In the interviews, it emerged that they have also developed two software programs that are useful to the departments to enter the strategic and operational objectives and to assess related risks, as well as to identify the mitigation measures. The two different software programs are reasonably simple, and by now everyone knows they are functional. However, while everyone is aware of their usefulness and functionality, it emerged also that the software architecture conceives performance management and risk management (mainly focused on anti-corruption risk and less on the other risk types) as two distinct blocks between the two programs developed to manage performance and risks disjointly. Therefore, to achieve integration, it is also necessary to build new software that would take over the existing architectures by integrating them.

Regarding the enabling conditions that favour the integration of performance management and risk management at the documentary level (RQ1), the research outlines a persistent bureaucratic culture aimed at mere regulatory compliance; a performance evaluation system, to which ancillary remuneration is linked, that continues to be mostly self-referential; the separation of tasks and responsibilities related to the performance cycle and risk management that are entrusted to different subjects that do not interact. Specifically, an entity wishing to implement an integrated performance management and risk management system must first improve its strategic documents, which influence the internal context and make it suitable for its purpose. These documents represent the founding elements on which to develop an effective and efficient integrated risk management system, including performance

management. One example of improvements that forwards the integration, among others, is the definition of its documents on roles and responsibilities between the key actors. Other enabling conditions can involve the dissemination of a risk culture (Gschwantner & Hiebl, 2016) and the presence of an adequate information system (software) integration. Specifically, this study provides interesting insights for public managers on how internal dynamics could be positively addressed to favour integration. The public organisation should raise the awareness of all the operators of its internal structure on the issues of risk management to create a shared and widespread risk culture. Although the benefits of integration between risk management and performance management have been widely acknowledged, in practice organisations encounter several difficulties. More generally, Braumann et al. (2024) find that also companies meet several obstacles in the integration process between risk management and other management accounting control systems.

Regarding RQ2, the conditions hindering the implementation of performance management and risk management integration in practice, following our framework (Fig. 1), it is possible to identify in our case both individual and collective factors. At the individual level, the analysis shows the persistence of self-interest among the actors, each focused on its priorities and interests, rather than a social one. This approach may also explain why actors are searching for exclusion in matters they are not interested in. At the collective level, we observed forms of fragmentation, where elements of performance management and risk management were sparsely found in various documents and internal processes, but not in a coherent and integrated manner. Although social conflicts can explain integration, we did not observe their presence in the case organisation.

Thus, it would be possible to change organisational behaviour so that risk management becomes a normal operational *modus operandi* and a usual work tool to be considered in all other management processes, including the performance management cycle. Specifically, it is desirable to identify expert figures oriented towards risk management who can spread the culture of risk and act as a driving force for an effectively integrated risk management strategy. The dissemination of a culture of risk management, together with an internal training strategy targeted at these issues, is crucial for the development of a 'common shared language', which is a requirement for correct communication between the actors' systems (Rubino & Vitolla, 2014). The absence of a risk management culture is considered one of the main obstacles to integration (Braumann et al., 2024).

Furthermore, a necessary condition for the effective functioning of the risk management process is an adequate information and IT system to support it. Given the number of corporate functions involved in the risk management process, communication and information systems must be adequately structured to permeate all organisational levels. To this end, the ability to integrate IT governance models (Weill & Ross, 2004) with integrated management is required.

Regarding the contributions of this paper, previous studies have focused on the process of integration between the performance management system and the risk management system, but lacked a focus on how to modify the performance management system to include the risk dimension, and considering the two respective processes as a place of integration (Palermo, 2007; Palermo & Van der Stede, 2011).

This study is in this critical stream and offers evidence related to the disintegration process activated by the key actors involved. Moreover, this study has several theoretical and practical implications. It extends the theoretical framework on performance management and risk management, evidencing the procedural steps that public organisations should follow to integrate performance management and risk management within their organisations (Dillard et al., 2004). Finally, the study explores how (dis)integration is an essential key to be carefully considered in building the performance management and risk management process. As much of the evidence in this paper shows, (dis)integration is also usually aimed at consolidating conflicts between different policy objectives or between formal objectives and actual practice.

As concerns the practical contribution, considering the recent introduction in the national context of the Integrated Plan of Activities and Organisation (Law n. 80 of 9th of June 2021), aimed at integrating planning tools to direct them towards the creation of public value, this study shows the existence of an implementation gap between norms and practices (Ongaro & Valotti, 2008), and in most cases, the implementation of reforms is formal rather than substantial. Our case study shows that the adoption of tools and mechanisms is not enough to change public sector organisation culture, which in most cases remains bureaucratic and oriented to formal compliance with the legislation's prescriptions, distorting the intent and purposes that the law was intended to achieve.

The main limitation of this study is that the evidence comes from the analysis of one entity, a regional government. However, future research could extend these results, such as by conducting a comparative analysis with central and local governments.

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