

Alma Mater Studiorum Università di Bologna  
Archivio istituzionale della ricerca

Local government strategies in the face of shocks and crises: the role of anticipatory capacities and financial vulnerability

This is the final peer-reviewed author's accepted manuscript (postprint) of the following publication:

*Published Version:*

Barbera Carmela, Jones Martin, Korac Sanja, Saliterer Iris, Steccolini Ileana (2021). Local government strategies in the face of shocks and crises: the role of anticipatory capacities and financial vulnerability. INTERNATIONAL REVIEW OF ADMINISTRATIVE SCIENCES, 87(1), 154-170 [10.1177/0020852319842661].

*Availability:*

This version is available at: <https://hdl.handle.net/11585/899123> since: 2022-11-03

*Published:*

DOI: <http://doi.org/10.1177/0020852319842661>

*Terms of use:*

Some rights reserved. The terms and conditions for the reuse of this version of the manuscript are specified in the publishing policy. For all terms of use and more information see the publisher's website.

This item was downloaded from IRIS Università di Bologna (<https://cris.unibo.it/>).  
When citing, please refer to the published version.

(Article begins on next page)

This is the final peer-reviewed accepted manuscript of:

**Barbera, C., Jones, M., Korac, S., Saliterer, I., & Steccolini, I. (2021). Local government strategies in the face of shocks and crises: the role of anticipatory capacities and financial vulnerability. *International Review of Administrative Sciences*, 87(1), 154–170.**

The final published version is available online at:

<https://doi.org/10.1177/0020852319842661>

Rights / License:

The terms and conditions for the reuse of this version of the manuscript are specified in the publishing policy. For all terms of use and more information see the publisher's website.

*This item was downloaded from IRIS Università di Bologna (<https://cris.unibo.it/>)*

***When citing, please refer to the published version.***

# **Local government strategies in the face of shocks and crises. The role of anticipatory capacities and financial vulnerability**

*Carmela Barbera (University of Bergamo, Italy)*

*Martin Jones (Nottingham Business School, UK)*

*Sanja Korac (Alpen-Adria-Universitaet Klagenfurt, Austria) corresponding author*

*Iris Saliterer (Albert-Ludwigs-Universitaet Freiburg, Germany)*

*Ileana Steccolini (Newcastle University London, UK)*

## **Abstract**

This paper, building on governmental financial resilience literature, and using data from a survey of over 600 local governments in Germany, Italy, and the UK, looks at the role that external shocks, anticipatory capacities, and associated perceived vulnerabilities, play in determining different organizational response strategies (i.e., “bouncing back” vs. “bouncing forward” strategies) at times of crisis. In the face of shocks, higher perceived vulnerabilities will especially be associated with bouncing back strategies, whereas the presence of anticipatory capacity will be associated with bouncing forward strategies.

## **Points for practitioners**

The present study reveals the crucial role of perceived vulnerabilities and anticipatory capacities for LGs that face shocks and crises. While organizational responses in the sense of bouncing back, e.g., retrenchment, buffering, downsizing, cutback) are strongly linked to the associated vulnerabilities, the implementation of bouncing forward strategies (e.g., transformation, repositioning, re-orientation) turns out as being mainly dependent on anticipatory capacities, which enable organizations to better recognize potential shocks before they arise. This emphasizes the importance of developing wider anticipatory capacities within LGs as a key element to cope effectively under difficult conditions, and to build and nurture a financial resilience culture.

**Keywords:** Financial resilience, shocks, crises, anticipatory capacities, vulnerability , Germany , Italy, UK, bouncing back, bouncing forward.

## **BIO authors**

*Carmela Barbera (University of Bergamo, Italy)*

*Martin Jones (Nottingham Business School, UK)*

*Sanja Korac (University of Klagenfurt, Austria)*

**Sanja Korac** is Assistant Professor in public management at the Alpen-Adria Universitaet Klagenfurt, Austria. Her main research interests are performance management and accounting, public personnel management, public service motivation, innovation, and government owned enterprises.

*Iris Saliterer (Albert-Ludwig-University Freiburg, Germany)*

**Iris Saliterer** is professor of public and non-profit management at the University of Freiburg, Germany. Her current research focuses on performance management, public budgeting and accounting, digitalization of governmental services, and motivational bases in public service.

**Ileana Steccolini** is Professor of Accounting at Essex Business School and was Professor at Newcastle University at the time of writing. She has published on public sector accounting and accountability, reforms and change in such journals as Accounting, Auditing and Accountability Journal, Critical Perspectives on Accounting, International Review of Administrative Sciences, Financial Accountability and Management, Management Accounting Research, Public Administration, Public Administration Review, and Public Management Review

## **INTRODUCTION**

In recent years, governments have faced a combination of multiple environmental shocks that have resulted in direct and/or indirect financial consequences. The relevance of these phenomena is reflected in an emerging body of research that has focused on how governments respond to crises and shocks. Most contributions in this area have described, classified and explored types of governmental responses (e.g., Kickert, 2012; Kickert and Ysa, 2014; Overmans and Noordegraaf, 2014). However, there is a relative paucity of research into the processes taking place at the micro-organizational level, i.e. of the organizational capacities,

structures and systems which are (put) in place to face shocks, as well as the role played by organizational actors' perceptions in affecting responses (Weick and Sutcliffe, 2001). Similarly, whereas in the past, general management and organization literature has pointed to the importance of perceptions, sense making and anticipation in coping with shocks (Weick et al., 2005; Somers, 2009), they appear to have attracted less attention in current public sector literature.

This paper contributes to this literature by looking specifically at how governments' responses to shocks are shaped by organizational perceptions of financial vulnerabilities and the presence of anticipatory capacities, i.e., capacities that enable organizations to better recognize potential (financial) shocks before they arise (Boin et al., 2010; Lee et al., 2013; Lengnick-Hall and Beck, 2005; Linnenluecke and Griffiths, 2013; McManus et al. 2007; Weick and Sutcliffe 2001; Whitman et al., 2013).

In exploring the relationships among those variables, resilience may prove a particularly useful conceptual lens, as shown by recent studies analyzing how governments deal with the shocks and disturbances that affect their financial condition (see Barbera et al., 2015, 2017; Davoudi, 2012; Linnenluecke and Griffiths, 2010; Mamouni-Limnios et al., 2014; Shaw, 2012; Steccolini et al., 2017; Sutcliffe and Vogus, 2003). Resilience is a multifaceted concept, yet two main features have been highlighted as defining it. On the one hand, it refers to the capacity to react to crises, *bouncing back* to an original state (Boin et al., 2010: 8; Linnenluecke, 2017: 6; Meyer, 1982); on the other hand, it refers to the capacity to anticipate and cope with the unexpected, *bouncing forward* through the enhancement of, or development of new, capabilities (Meyer, 1982; Somers, 2009).

Our paper draws on the conceptual framework of governmental financial resilience developed by Barbera et al. (2017) and based on multiple case studies in three country contexts, further consolidated through the analysis of about thirty additional cases across 8 countries, worldwide (Steccolini et al., 2017). This framework explains how different patterns of financial resilience result from the deployment and development of internal anticipatory and coping capacities as well as their combinations and interactions with environmental conditions and perceived financial vulnerabilities.

Building on these previous qualitative findings, which identified the important role that the presence (or absence) of anticipatory capacities and perceptions of financial vulnerabilities have in shaping organisational responses to shocks, the present paper adopts a quantitative approach to explore in more depth the roles of anticipatory capacities, and perceptions about financial vulnerability. More specifically, it explores the roles played by such factors in driving

and explaining different governmental responses to shocks as well as how responses are affected by the types of shocks themselves.

The research is based on a survey of German, Italian and UK local governments (LGs), the governmental level nearest to the citizens, which provide an array of ‘tangible’ services and thus directly affect the quality of life of those they serve. LGs have been significantly impacted by recent shocks affecting their finances. The results show that, in the face of shocks, higher perceived vulnerabilities will especially be associated with bouncing back strategies, whereas the presence of anticipatory capacity will be associated with bouncing forward strategies.

The paper is structured as follows. The next section shortly reviews extant literature and presents the conceptual framework and the underlying hypotheses. Section three describes the methods. Section four presents the results. The fifth section discusses them and draws conclusions, also highlighting the implications for practice and research.

## CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Our study draws on the concept of governmental financial resilience, whereby governments’ ability to anticipate, absorb and react to shocks affecting their finances is the result of the interaction of environmental conditions as well as organizational dimensions (Barbera et al., 2015, 2017; Davoudi et al. 2013; Lengnick-Hall and Beck, 2005; Linnenluecke, 2017; Linnenluecke and Griffith, 2013; Nelson et al., 2007; Somers, 2009; Steccolini et al., 2017; Sutcliffe and Vogus, 2003). Such conditions and dimensions are discussed further in the sub-sections below, where hypotheses are advanced and the conceptual framework is presented.

### *Responses to shocks (dependent variable)*

Prior empirical research has shown that organizations pursue a variety of strategies when coping with shocks and crises affecting their finances (see Beerli, 2012; Boyne, 2004, 2006; Hofer, 1980; Robbins and Pearce, 1992; Schendel et al., 1976). While such strategies have been described and classified in various ways, they can be traced back to two main approaches. Organizations may embrace *bouncing back* (e.g., retrenchment, buffering, downsizing, cutback) strategies, including increasing taxes and fees, deferring investments, or reducing the costs, scope or size of the organization, and selling assets (Barbera et al., 2017; Steccolini et al., 2017). Other organizations may embrace *bouncing-forward* strategies (e.g., transformation, repositioning, re-orientation). The latter emphasize self-sufficiency, entrepreneurship and

innovation by redefining the modes of service delivery and core activities, as well as improving existing services or supplying new services either to current, or to new clients (Barbera et al., 2017; Steccolini et al., 2017). This paper sets out to explore the respective roles of such factors in explaining the types of responses of LGs to recent shocks and crises (see figure 1).

### *Perceived shocks*

*External shocks* are events that have significant impact on organizations, sometimes even materializing the threat of organizational failure. The impact can be direct, such as eroding tax bases, or indirect, e.g. due to natural disasters or changes in government policy (see Jones et al., 2017). Although the question of whether there exist objective criteria that define when an event can be perceived as a ‘triggering’ event in terms of a crisis or shock, or whether the existence of a crisis or shock is determined by individual perceptions still seems to be open for debate (see Drennan et al. 2014, p. 14 ff.), several scholars highlight the key role that perceptions play in dealing with crisis and shock. In particular, they argue that individual perceptions as well as managerial interpretation of events determine how much attention is dedicated to an event or potential shock and which actions the organization takes in responding to a shock or crisis (e.g. Billings et al., 1980; Pauchant and Mitroff, 1992; Pearson and Clair, 1998; see also Daft and Weick, 1984; Dutton and Jackson, 1987; Weick, 1979). Much of the literature that has explored governmental responses to the global financial crisis shows that governments across the globe have been hit to varying degrees by the financial crisis, and that some have responded with only incremental, yet others with more fundamental, measures (see Kickert, 2012; Kickert et al., 2013; Peters, 2011). In addition, case studies of LGs in Germany, Italy as well as the UK have highlighted that changes in regulations such as taxation limitations and devolvement of tasks, or cuts to public expenditure (Barbera et al., 2017; Jones, 2017; Papenfuß et al., 2017) can have unexpected and long-lasting effects on the LGs’ finances, and impact on public managers’ perceptions and elaboration of ensuing response strategies. In line with these findings, it may be expected that when public managers perceive a stronger intensity of external shocks, this will translate in stronger responses, both in terms of incremental adaptation and buffering (bouncing back) and of more radical transformations and repositioning (bouncing forward).

*H1: Higher perceptions of external shocks are associated with higher reliance on both bouncing back (H1a) and bouncing forward (H1b) strategies*

### *Vulnerability*

*Vulnerability* represents the level of exposure to shocks (McManus et al., 2007). Being the result of external as well as internal sources, it lies at the interface between the environment and the organization (figure 1). Qualitative analyses of LGs financial resilience have shown that it is the sense of being able to control the vulnerability and/or influence its sources that affects the way shocks are interpreted and subsequently tackled (Maher and Deller 2007, 2011; Jimenez 2012; Barbera et al., 2017), something which is also evident in other, more general, studies (see also Boin et al., 2010; Lengnick-Hall and Beck, 2005; Linnenluecke and Griffiths, 2013; Lu and Xue, 2016; McManus et al., 2007; Somers, 2009). Prior qualitative studies showed that high levels of vulnerability were associated with coping strategies that built mainly on buffering, including efforts on managing internal resources through reducing expenditure and downsizing. LGs where the sources of financial vulnerability were regarded as at arm's length and thus manageable, in contrast, exerted a more proactive behavior to shocks and an increased ability to pro-actively manage or offset the impact of environmental conditions (Barbera et al., 2017; Steccolini et al., 2017). The level of perceived vulnerability will thus be expected to have a different effect on LGs' responses, with higher perceived vulnerability being more likely to encourage defensive and risk averse approaches aimed at bouncing back, and lower perceptions of vulnerability leaving leeway for more transformative, innovative and entrepreneurial approaches. From this follows:

*H2: A higher level of financial vulnerability is positively associated with bouncing back strategies (H2a), and negatively associated with bouncing forward strategies (H2b)*

### *Anticipatory capacities*

*Anticipatory capacities* are the tools and capabilities that enable LGs to better identify and manage their vulnerabilities and recognize potential shocks before they arise. As such, they are not limited to forms of planning, monitoring or risk assessment, but are also related to the cognitive aspects of situation awareness and sense-making (e.g. Boin et al., 2010; Lengnick-Hall and Beck, 2005; Linnenluecke and Griffiths, 2013; McManus et al., 2007; Somers, 2009). In this context, some scholars have argued that the availability or improvement of anticipatory capacities, i.e. the tools and capabilities that enable LGs to anticipate shocks and crises and better identify and manage their vulnerabilities, also assist them in (pro-actively) coping with shocks and crises (Lengnick-Hall and Beck, 2005; Somers, 2009). Anticipation allows

organizations to prepare in advance for coping with shocks, exploring possible routes, including re-positioning and re-thinking of services and activities, and setting in place more comprehensive strategies to respond to them. Thus, a strongest presence of anticipatory capacities is expected to facilitate the adoption of bouncing forward strategies, but not necessarily predict the adoption of bouncing back ones. From this follows:

*H3: A higher level of anticipatory capacities (i.e. monitoring, information exchange, information sharing) is positively associated with bouncing forward (H3b) but not bouncing back (H3a) strategies.*

The expected effects are summarized in Figure 1.

[Figure 1: Conceptual framework]

## METHODS

The research builds on a survey of LGs in Germany, Italy, and the UK, complemented by an analysis of archival data covering financial and socio-demographic aspects.

### ***The unit of analysis: local governments in Germany, Italy and the UK***

All three selected countries are large economies with LGs being responsible for a wide array of similar services including, amongst others, social protection, education, economic affairs, housing and community amenities, public order and safety and health. They represent however different administrative traditions and the number of LGs varies. This is mainly due to the relative size of the populations served by LGs in each country. In order to provide a meaningful basis for comparison, LGs included in the survey were identified based on a stratified sampling approach. The reference population in Italy and Germany is given by all the LGs with more than 5,000 inhabitants.<sup>1</sup> The reference population in Italy therefore includes 2,411 units while the reference population in Germany includes 2,880 units. Given the different distribution of LGs across dimensional classes, larger LGs are less represented than smaller ones in the whole population. As a consequence, to ensure satisfactory representation of both dimensional classes

---

<sup>1</sup> The smallest LGs (below 5,000) were excluded on the one hand to ensure to have a manageable number of responses, and on the other hand due to restrictions with regard to the accessibility of financial data for local governments with a population below 5,000 in Germany. In Italy the accessibility of e-mail addresses is a major issue. Moreover, smaller local governments (below 5,000) are generally subject to different law requirements with regard to their financial management systems, and they enjoy a specific funding system as well as support policies.

as well as efficiency, all LGs with a population above 15,000 were included in the sample, i.e., 961 LGs in Germany and 737 in Italy. For LGs with a population between 5,000 and 15,000, we selected 50% of local governments (960 LGs for Germany and 837 for Italy) considering their geographical distribution (differentiated between East and West in Germany, North and South in Italy). Based on lists which include all local governments between 5,000 and 15,000 per region, we randomly selected local governments from each region. Information on the regional distribution of the sample as well as the responses can be found in Appendix 1a and 1b. In the UK, successive structural change dating back to the 1970s has seen a reduction in the number of local government institutions servicing ever larger populations (current average population around 150,000). Except for two, all LGs exceed population figures of 15,000<sup>2</sup> and we therefore decided to include all LGs from three of the four regions<sup>3</sup> (a total of 406) in the survey. The questionnaire was administered online and respondents were asked to answer for their organization as a whole rather than sub-units within it. The questionnaire was sent to LGs' chief executive officers, chief financial officers and service managers (to ensure coverage of a variety of comparable public services, social services, public works, culture and leisure were taken into consideration). In general terms, the level of seniority of the respondents was chosen as it is more likely to have the required departmental/organizational wide view. The email addresses were collected from the governmental websites as they are publicly available. To ensure the highest possible response rate, at least two reminders were sent in each country.<sup>4</sup>

The received usable responses for the analysis come from 295 (15.4%) LGs in Germany, 268 (16.80%) in Italy and 64 (15.2%) in the UK.

Non-response bias was assessed by comparing the responses in the questionnaires between the first and last wave (i.e. responses generated by a stimulus, see Armstrong and Overton, 1977, p. 397) for each country. We used an extrapolation method where non-respondents are considered to respond similar to late responders (see Lindner et al., 2001). Late respondents are defined as those who respond in the last wave of responses, i.e. in response to the last stimulus. We compare them with early respondents, i.e. those who respond to the first stimulus. Due to the lower number of responses in the UK in total (64), we were not able to identify the recommended minimum of 30 respondents based on the first stimulus (see Lindner et al., 2001).

---

<sup>2</sup> One LG has a population lower than 5,000 and one LG falls into the range between 5,000 and 15,000. Source: Office for National Statistics 2011 Census data on population estimates for local authorities in the UK: <https://www.ons.gov.uk>.

<sup>3</sup> Northern Ireland was excluded from the study as the 11 local governments here were reorganised in April 2015, and as such the period under consideration was not relevant to these very recently created organisations.

<sup>4</sup> The time between sending the survey (in May 2017) and the first reminder ranged between eight days (Italy) and fourteen days (Germany). The second reminder was sent after three to four weeks (end of June). For Italy, two additional reminders were sent.

We therefore compared the last wave of responses (32) to the first 50% of responses (32). We additionally applied the same procedure for Italy and Germany, and compared the first 50% and last 50% of responses. All t-tests yielded no significant differences between the included variables.

### ***Operationalization of variables***

The variables discussed above and presented in figure 1 were operationalized drawing on the literature on resilience, organizational capacities, and governmental financial management, as well as the qualitative groundwork put forward by Steccolini et al. (2017). The questionnaire was developed and translated to ensure fit in the respective country contexts while preserving comparability. Appendix 2 shows how the resilience dimensions were operationalized, and table 1 and table 2 provide detailed information on the items that were used to measure each dimension.

With specific reference to *shocks*, the present study looks at three different shocks, which have been mentioned across LGs in eleven countries (Steccolini et al., 2017): the global financial crisis, migration<sup>5</sup>, and (change of) regulations. With regard to *financial vulnerabilities*, four key issues were assessed to analyze if LGs are in control of both external and internal financial vulnerability sources: financial autonomy, abundance of financial resources (fiscal slack), level of indebtedness and volatility of own revenue resources (Hendrick, 2011; McManus et al., 2007; Maher and Deller, 2011). A set of questions regarding the perceived presence of *anticipatory capacities* in LGs were derived from the literature (see for more details appendix 2 and table 2). Responses load onto the expected three subcategories for anticipatory capacities, consisting of (1) exchange of information with external actors (e.g. upper government levels, service providers); (2) monitoring activities (e.g. national policies and regulations, citizen's needs, economic and socio-demographic developments) as well as (3) providing staff with sufficient information and fostering an organizational setting that encourages problem analysis and information sharing (table 2). The summative variables for each subcategory reported acceptable alphas, reaching Cronbach alphas higher than .7 in all cases<sup>6</sup>.

---

<sup>5</sup> In recent years, migration has posed a significant challenge to European countries, but the immigration surge in 2015 has been a shock to German local governments in particular (see Eurostat 2015).

<sup>6</sup> Appendix 2 shows the results of the factor analysis for Germany and Italy. Due to the low number of responses from UK local governments (64), no factor analysis was applied and we only consider them in the descriptive analysis based on identified categories. However, the Cronbach alphas for each subcategory exceed .8, therefore also pointing to a high internal reliability.

In addition to the survey data, archival financial data and published reports were used as sources for the analysis<sup>7</sup>. We included three financial indicators– average debt level, investment ratio and current ratio – covering a ten-year period (2006-2015) as well as size as control variables. The data were analyzed by means of descriptive statistics and factor analysis. In a further step, ordinary least square regression is chosen as the statistical method to test the developed hypotheses.

## RESULTS

The results of factor analyses as well as descriptive statistics are presented in tables 1 and 2. The following sub-section discusses the results of the test of hypotheses, based on the regression analysis.

The factor analysis (table 1) reveals that responses load on two different types of strategies (i.e. bouncing back and bouncing forward), which were adopted by LGs during the last five years. A summative variable of each strategy reported acceptable Cronbach alphas (0.7). As shown in table 1, LGs appear to rely more on bouncing forward than on bouncing back strategies.

[Table 1]

Respondents generally gave different weights to different types of shocks (table 2) with changing regulations being perceived as most important external shocks followed by the global financial crisis. Migration, in contrast, seems to have affected local governments only to a relatively minor extent.

[Table 2]

The subsequent section explores whether and to what extent governmental responses are driven by different types of shocks and crises, financial vulnerabilities and/or by internal capacities

---

<sup>7</sup> We used Aida Pa database and the website of the Ministry of Interior that publish the main financial data for Italian LGs, based on year-end financial reports, for Italy, and in the UK Statistics Wales, Local Government Finance Statistics (Scotland) and the Department for Communities and Local Government (Statistics at DCLG – England). For Germany, the database <http://www.wegweiser-kommune.de/> was accessed to obtain financial data for the years 2006-2015.

that enable organizations to better recognize potential financial shocks before they arise. Table 3 presents the multiple regression models for the antecedents of the two types of strategies described above, i.e., bouncing back and bouncing forward. To determine whether Ordinary Least Square was appropriate, data were examined for heteroscedasticity and multicollinearity, both returning satisfying results. All models achieve good rates for multicollinearity and no Variance Inflation Factor (VIF) higher than 1.75 was reported in the models. The models offered reasonable fit for a cross-sectional design. The explained variance ranges between .20 (bouncing forward model) and .29 (bouncing back model).

[Table 3]

Table 3 shows that bouncing back and bouncing forward strategies were driven by different antecedents. While it turned out that all *types of shocks* show a positive association with both types of strategies, therefore supporting the hypothesis (H1) that higher perceptions of shocks are related with higher reliance on response strategies, their significance varies. Migration shows the strongest effect in the bouncing forward model while regulation shows the strongest effect in the bouncing back model. Although being significant, the effect of the global financial crisis turned out as comparatively low in both models, barely reaching significance in the bouncing back model.

The main enablers of bouncing back responses are the various sources of financial vulnerability, therefore supporting the hypothesis that higher perceived financial vulnerability will bring about bouncing back strategies (*H2a*). The results also show that, as hypothesized (*H2b*), perceived financial vulnerability has a negative association with bouncing forward strategies, but its effect is much weaker.

Moreover, the different dimensions of anticipatory capacities show a positive association with bouncing forward strategies of LGs (*H3b*). However, the impacts vary, with information exchange showing the highest and information sharing showing the lowest but still significant effect. The association disappears when looking at their relationship with bouncing back strategies (*H3a*).

The controls suggest that both strategies were negatively associated with a positive current ratio covering a ten-year period, while the three other controls turned out as being non-significant.

## DISCUSSION AND CONCLUSIONS

Looking at LGs across Germany, Italy and the UK, this study explored the roles of perceptions on shocks and financial vulnerability as well as anticipatory capacities in explaining the type of strategies adopted to respond to shocks. The analysis shows that perceptions of the most important recent shocks, as well as capacities for anticipating them, and financial vulnerabilities appear to be relevant in explaining LGs' strategies in the face of shocks.

In exploring the links between external shocks, internal conditions and responses to shocks, the analysis shows that the reliance upon bouncing back and bouncing forward strategies is explained by different factors. Bouncing back strategies (e.g. deferring investments, increasing fees) are likely to be found in the presence of high levels of perceived financial vulnerability. Conversely, the adoption of bouncing forward strategies (e.g. changing service delivery, establishing new services) appears to be positively associated with the presence of strong anticipatory capacities (especially information exchange) and to be hindered by high levels of financial vulnerability. In looking at these results, it is worth noticing that the global financial crisis appears to have less explanatory power than other shocks, probably because, while remaining still relevant, its effect may be now fading away in the face of the emergence of new shocks. The association between migration and bouncing forward seems to be in line with views that the former will require an overall reconfiguration of public services, whereas the association between changes in regulations with bouncing back appears to suggest that such changes are seen as less wide-ranging and requiring less incisive interventions, or interventions that do not put into question the configuration of public services.

Most importantly, the results highlight that perceptions of high financial vulnerability are central in explaining especially reliance on bouncing back strategies. Hence, LGs perceiving their financial conditions as being difficult will be less likely to embark on bouncing forward actions. Moreover, and conversely, they show the important role played by anticipatory capacities in explaining the adoption of bouncing forward strategies, whereas they do not appear to play a relevant role in explaining bouncing back strategies. The analysis supports previous qualitative findings, as anticipatory capacities appear to co-occur with adaptive, and transformative behavior (i.e. bouncing forward), also reducing perceived financial vulnerability, while heavy exploitation of buffering capacities may crowd out the development of other capacities needed to bounce forward, resulting in higher levels of vulnerability over time (Barbera et al., 2017; Davoudi et al., 2013; Meier and O'Toole, 2009; Wildavsky, 1988).

The study has relevant implications for managers and policy makers as the results reveal the relationship between different anticipatory capacities and perceptions of financial

vulnerabilities and the strategies adopted by LGs to face shocks. While bouncing back is strongly linked to the associated vulnerabilities, the implementation of bouncing forward strategies when facing difficult times turns out as being mainly dependent on the capacities identified above. This emphasizes that, whenever willing to adopt a bouncing forward approach, it is important to develop wider anticipatory capacities within LGs as a key element to cope effectively under difficult conditions, and to build and nurture a financial resilience culture.

The present study contributed to further developing and operationalizing the dimensions of financial resilience, and more specifically anticipatory capacities and perceived financial vulnerability, understanding their relevance for LG response strategies. The results are however based on a cross-sectional research design and thus present associations. The adoption of a longitudinal perspective in future studies may offer additional insights into causal links, as well as how strategies evolve over time and under which conditions. The dimensions identified in the framework also offer LG actors the potential to better reflect on their own sources and levels of vulnerabilities and understand what anticipatory and coping capacities they need to assess, nurture, and develop in order to anticipate, absorb and react to shocks affecting their finances over time. Finally, as smaller local governments were not taken into consideration in this study, further analyses may focus on them to further explore the roles of anticipatory capacities in smaller organizations.

## REFERENCES

- Amel-Zadeh A and Meeks G (2013) Bank Failure, Mark-to-market and the Financial Crisis. *Abacus* 49(3): 308–339.
- Amniattalab A and Ansari R (2016) The effect of strategic foresight on competitive advantage with the mediating role of organisational ambidexterity. *International Journal of Innovation Management* 20(03): 1-18.
- Andrews R (2010) Organizational social capital, structure and performance. *Human Relations* 63(5): 583–608.
- Andrews R (2011) Exploring the Impact of Community and Organizational Social Capital on Government Performance: Evidence from England. *Political Research Quarterly* 64(4): 938–949.
- Andrews R, Boyne GA, Law J and Walker RM (2009) Strategy formulation, strategy content and performance. *Public Management Review* 11(1): 1–22.
- Andrews R, Boyne GA and Walker RM (2006) Subjective and objective measures of organizational performance: an empirical exploration. In: Boyne G, Meier K, O'Toole L and Walker R (eds) *Public service performance: Perspectives on measurement and management*. New York: Cambridge University Press, pp. 14-34.
- Armstrong, J. S., and Overton, T. (1977). Estimating Nonresponse Bias in Mail Surveys. *Journal of Marketing Research* 15 (8): 396-402.
- Arnaboldi M, Lapsley I and Steccolini I (2015) Performance management in the public sector: the ultimate challenge. *Financial Accountability and Management* 31(1): 1–22.
- Barbera C, Jones M and Steccolini I (2015) Governmental Financial Resilience Under Austerity: The Case of English Local Authorities. *CIMA Executive Summary Report* 11(3).
- Barbera C, Jones M, Korac S, Saliterer I and Steccolini I (2017) Governmental financial resilience under austerity in Austria, England and Italy: how do local governments cope with financial shocks? *Public Management* 95(3): 670-697.
- Beerl I (2012) Turnaround management strategies in public systems: the impact on group-level organizational citizenship behaviour. *International Review of Administrative Sciences* 78(1): 158–179.
- Billings RS, Milburn TW and Schaalman ML (1980) A model of crisis perception: A theoretical and empirical analysis. *Administrative Science Quarterly* 25(2): 300-316.
- Boin A, Comfort LK and Demchack CC (2010) The Rise of Resilience. In: Comfort LK, Boin A and Demchack CC (eds) *Designing Resilience*. Pittsburgh: Pittsburgh University Press, pp. 1–13.

- Boyne GA (2004) A '3Rs' Strategy for Public Service Turnaround: Retrenchment, Repositioning and Reorganization. *Public Money & Management* 24(2): 97–103.
- Boyne GA (2006) Strategies for public service turnaround. Lessons From the Private Sector? *Administration & Society* 38(3): 365–388.
- Burnard K, Bhamra R and Young RI (2012). Critical factors of organisational resilience. In: *Proceedings of the 19th International EurOMA Conference* Amsterdam, NL, 1-5 July 2012.
- Cepiku D, Mussari R and Giordano F (2016) Local governments managing austerity: Approaches, determinants and impact. *Public Administration* 94(1): 223–243.
- Chabrak N and Gendron Y (2015) Promoting research from the “periphery”: Engaging critically with the Global Financial Crisis. *Critical Perspectives on Accounting* 30: 1–8.
- Cohen WM and Levinthal DA (1990) Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly* 35(1) Special Issue: Technology, Organizations, and Innovation: 128–152.
- Daft RL and Weick KE (1984) Toward a model of organizations as interpretation systems. *Academy of Management Review* 9(2): 284-295.
- Davoudi, S (2012) Resilience: A Bridging Concept or a Dead End? *Planning Theory and Practice* 13(2): 299–333.
- Davoudi S, Brooks E and Mehmood A (2013) Evolutionary resilience and strategies for climate adaptation. *Planning, Practice and Research* 28(3): 307–322.
- Drennan LT, McConnell A and Stark A (2014) *Risk and Crisis Management in the Public Sector*. 2nd edition. London: Routledge.
- Dutton JE and Jackson SE (1987) Categorizing strategic issues: Links to organizational action. *Academy of Management Review* 12(1): 76-90.
- Eurostat (2015) Immigrants 2015 per 1,000 inhabitants. Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Immigrants, 2015 \(per 1 000 inhabitants\).png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Immigrants,_2015_(per_1_000_inhabitants).png) (accessed 19 July 2017).
- Eurostat (2016) Asylum applications (non-EU) in the EU-28 Member States, 2006-2017. Available at: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum_statistics) (accessed 19 July 2017).
- Gårseth-Nesbakk L and Kjærland F (2016) Precarious Investments and Blame Gaming – Adverse Effects and the Inherent Danger of Simplification. *Financial Accountability & Management* 32(3): 281–308.

- Groves SM and Valente MG (1994) *Evaluating financial condition: A handbook for local government*, International County. Washington, DC: City Management Association.
- Groves SM, Godsey WM and Shulman MA (1981) Financial indicators for local government. *Public Budgeting & Finance* 1(2): 5–19.
- Hendrick R (2004) Assessing and measuring the fiscal health of local governments: Focus on Chicago suburban municipalities. *Urban Affairs Review* 40(1): 78–114.
- Hendrick R (2011) *Managing the fiscal metropolis: The financial policies, practices, and health of suburban municipalities*. Washington, DC: Georgetown University Press.
- Hodges R and Lapsley I (2016) A Private Sector Failure, a Public Sector Crisis - Reflections on the Great Recession. *Financial Accountability and Management* 32(3): 265–280.
- Hofer CW (1980) Turnaround strategies. *The Journal of Business Strategy* 1(1): 19–31.
- Jansen JP, Van Den Bosch FAJ and Volberda HW (2005) Managing potential and realized absorptive capacity: how do organizational antecedents matter? *Academy of Management Journal* 48(6): 999–1015.
- Jaworski BJ and Kohli AK (1993) Market orientation: antecedents and consequences. *The Journal of Marketing* 57(3): 53–70.
- Jimenez BS (2012) Strategic planning and the fiscal performance of city governments during the Great Recession. *The American Review of Public Administration* 43(5): 581–601.
- Jones BA (2015) *Benchmarking organizational resilience: A cross-sectional comparative research study*. PhD Thesis, New Jersey City University, USA.
- Jones M (2017) English Resilience in the Face of Austerity. In: Steccolini I, Jones M and Saliterer I (eds) *Governmental Financial Resilience (Public Policy and Governance, Volume 27)*, Bingley: Emerald Publishing Limited, pp. 35–52.
- Jones M, Saliterer I and Steccolini I (2017) Introduction: Governments and Crises. In: Steccolini I, Jones M and Saliterer I (eds) *Governmental Financial Resilience (Public Policy and Governance, Volume 27)* Bingley: Emerald Publishing Limited, pp.1–16.
- Kickert W and Ysa T (2014) New development: How the Spanish government responded to the global economic, banking and fiscal crisis. *Public Money & Management* 34(6): 453–457.
- Kickert W, Randma-Liiv T and Savi R (2015) Politics of fiscal consolidation in Europe: a comparative analysis. *International Review of Administrative Sciences* 81(3): 562–584.
- Kickert W (2012) State Responses to the Fiscal Crisis in Britain, Germany and the Netherlands. *Public Management Review* 14(3): 299–309.

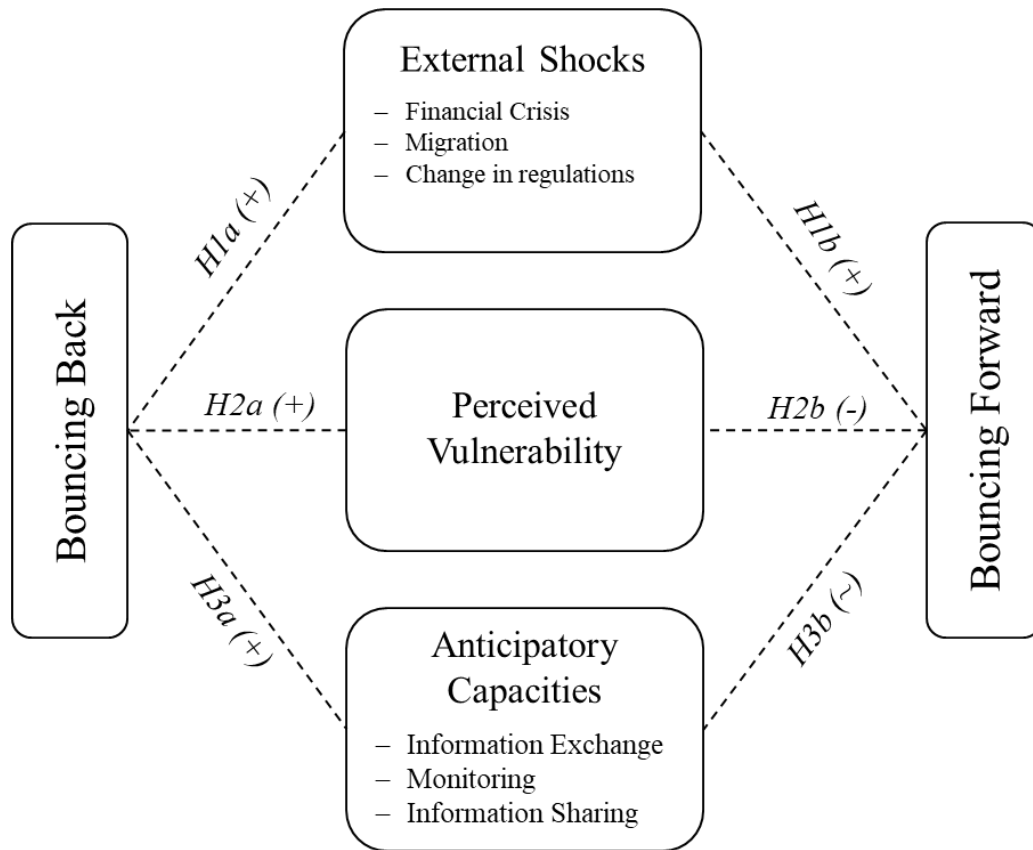
- Lee AV, Vargo J and Seville E (2013) Developing a tool to measure and compare organizations' resilience. *Natural Hazards Review* 14(1): 29–41.
- Lengnick-Hall CA and Beck TE (2005) Adaptive fit versus robust transformation: How organizations respond to environmental change. *Journal of Management* 31(5): 738–757.
- Lengnick-Hall CA, Beck TE and Lengnick-Hall ML (2011) Developing a capacity for organizational resilience through strategic human resource management. *Human Resource Management Review* 21(3): 243–255.
- Lindner, J. R., Murphy, T. H., & Briers, G. E. (2001). Handling nonresponse in social science research. *Journal of Agricultural Education* 42(4): 43-53.
- Linnenluecke MK (2017) Resilience in Business and Management Research: A Review of Influential Publications and a Research Agenda. *International Journal of Management Reviews* 19(1): 4–30.
- Linnenluecke MK and Griffiths A (2013) The 2009 Victorian Bushfires: A Multilevel Perspective on Organizational Risk and Resilience. *Organization and Environment* 26(4): 386–411.
- Lodge M and Hood C (2012) Into an Age of Multiple Austerities? Public Management and Public Service Bargains across OECD Countries. *Governance: An International Journal of Policy, Administration, and Institutions* 25(1): 79–101.
- McManus S, Seville E, Brunsden D, and Vargo J (2007) Resilience management: a framework for assessing and improving the resilience of organisations. Report, Resilient Organisations Programme, New Zealand.
- Maher CS and Deller SC (2011) Measuring municipal fiscal condition: Do objective measures of fiscal health relate to subjective measures? *Journal of Public Budgeting, Accounting & Financial Management* 23(3): 427–459.
- Mamouni-Limnios EA, Mazzarol T, Ghadouani A and Schilizzi SGM (2014) The Resilience Architecture Framework: Four organizational archetypes. *European Management Journal* 32(1): 104–116.
- Meier KJ and O'Toole LJ Jr. (2009) The Dog that Didn't Bark: How Public Managers Handle Environmental Shocks. *Public Administration* 87(3): 485–502.
- Meyer AD (1982) Adapting to Environmental Jolts. *Administrative Science Quarterly* 27(4): 515–537.
- Meyer RE and Hammerschmid G (2010) The Degree of Decentralization and Individual Decision Making in Central Government Human Resource Management: A European Comparative Perspective. *Public Administration* 88(2): 455–478.

- Mott PE (1972) *The characteristics of effective organizations*. New York: HarperCollins Publishers.
- Nelson DR, Adger WN and Brown K (2007) Adaptation to Environmental Change: Contributions of a Resilience Framework. *Annual Review of Environment and Resources* 32: 395–419.
- Overmans T and Noordegraaf M (2014) Managing austerity: Rhetorical and real responses to fiscal stress in local government. *Public Money and Management* 34(2): 99–106.
- Overmans, T and Timm-Arnold, K-P (2016) Managing austerity: Comparing municipal austerity plans in the Netherlands and North Rhine Westphalia. *Public Management Review* 18: 1043–1062.
- Paliokaitė A, Pačėsa N and Sarpong D (2014) Conceptualizing strategic foresight: An integrated framework. *Strategic Change* 23(3-4): 161–169.
- Paliokaitė A and Pačėsa N (2015) The relationship between organisational foresight and organisational ambidexterity. *Technological Forecasting and Social Change* 101: 165–181.
- Papenfuß U, Saliterer I and Albrecht N (2017) A Cushioned Impact of the Financial Crisis – Local Government Financial Resilience in Germany. In: Steccolini I, Jones M and Saliterer I (eds) *Governmental Financial Resilience (Public Policy and Governance, Volume 27)*. Bingley: Emerald Publishing Limited, pp. 115–134.
- Pauchant T and Mitroff I (1992) *Transforming the crisis-prone organization*. San Francisco: Jossey-Bass.
- Pearson CM and Clair JA (1998) Reframing Crisis Management. *The Academy of Management Review* 23(1): 59-76.
- Peters BG (2011) Governance Responses to the Fiscal Crisis – Comparative Perspectives. *Public Money and Management* 31(1): 75–80.
- Pollitt C and Bouckaert G (2011) *Public Management Reform: A Comparative Analysis – New Public Management, Governance, and the Neo-Weberian State*. New York: Oxford University Press.
- Raudla R, Savi R and Randma-Liiv T (2015) Cutback management literature in the 1970s and 1980s: taking stock. *International Review of Administrative Sciences* 81(3): 433–456.
- Ray JL, Baker LT and Plowman DA (2011) Organizational mindfulness in business schools. *Academy of Management Learning & Education* 10(2): 188–203.
- Robbins G and Lapsley I (2014) The success story of the Eurozone crisis? Ireland's austerity measures. *Public Money & Management* 34(2): 91–98.

- Robbins DK and Pearce JA II (1992) Turnaround: Retrenchment and recovery. *Strategic Management Journal* 13(4): 287–309.
- Schendel D, Patton GR and Riggs J (1976) Corporate Turnaround Strategies: A Study of Profit Decline and Recovery. *Journal of General Management* 3(3): 3–11.
- Shaw K (2012). The Rise of the Resilient Local Authority? *Local Government Studies* 38(3): 281–300.
- Smart CF, Thompson WA and Vertinsky I (1978) Diagnosing Corporate Effectiveness and Susceptibility to Crises. *Journal of Business Administration* 9(2): 57–96.
- Sohl S, Peddle MT, Thurmaier K, Wood CH and Kuhn G (2009) Measuring the financial position of municipalities: Numbers do not speak for themselves. *Public Budgeting & Finance* 29(3): 74–96.
- Somers S (2009) Measuring Resilience Potential: An Adaptive Strategy for Organizational Crisis Planning. *Journal of Contingencies and Crisis Management* 17(1): 12–23 .
- Stephenson AV (2011) *Benchmarking the resilience of organisations*. PhD Thesis, University of Canterbury, New Zealand.
- Steccolini I, Jones M and Saliterer I (eds) (2017) *Governmental Financial Resilience: International Perspectives on how Local Governments Face Austerity*. Bingley: Emerald Group Publishing.
- Sutcliffe KM and Vogus TJ (2003) Organizing for resilience. In: Cameron KS, Dutton JE and Quinn RE (eds) *Positive Organizational Scholarship: Foundations of a New Discipline*. San Francisco: Berrett-Koehler.
- Valentine S, Godkin L and Varca PE (2010) Role conflict, mindfulness, and organizational ethics in an education-based healthcare institution. *Journal of Business Ethics* 94(3): 455–469.
- Van de Ven AH and Ferry DL (1980) *Measuring and assessing organizations*. New York: John Wiley & Sons.
- Verbeeten FH (2008) Performance management practices in public sector organizations: Impact on performance. *Accounting, Auditing & Accountability Journal* 21(3): 427–454.
- Speklé RF and Verbeeten FH (2014) The use of performance measurement systems in the public sector: Effects on performance. *Management Accounting Research* 25(2): 131–146.
- Van der Kolk B, Ter Bogt HJ and Van Veen-Dirks, PMG (2015) Constraining and facilitating management control in times of austerity Case studies in four municipal departments. *Accounting, Auditing & Accountability Journal* 28(6): 934–965.

- Vogus TJ and Sutcliffe KM (2007) The Safety Organizing Scale: development and validation of a behavioral measure of safety culture in hospital nursing units. *Medical Care* 45(1): 46–54.
- Walker RM and Brewer GA (2009) Can management strategy minimize the impact of red tape on organizational performance? *Administration & Society* 41(4): 423–448.
- Wang XS (2014) *Financial management in the public sector: tools, applications and cases*. London: Routledge.
- Weick KE (1979) *The social psychology of organizing*. 2nd edition. Reading, MA: Addison-Wesley.
- Weick KE and Sutcliffe KM (2001) *Managing the Unexpected*. San Francisco: Jossey-Bass.
- Weick, KE, Sutcliffe KM, and Obstfeld D (2005) Organizing and the Process of Sensemaking *Organization Science* 16(4), pp. 409-421.
- Whitman RZ, Kachali H, Roger D, Vargo J, and Seville E (2013) Short-form version of the Benchmark Resilience Tool (BRT-53). *Measuring Business Excellence* 17(3): 3–14.
- Wicker P, Filo K and Cuskelly G (2013) Organizational resilience of community sport clubs impacted by natural disasters. *Journal of Sport Management* 27(6): 510–525.
- Wildavsky AB (1988) *The New Politics of the Budgetary Process*. Glenview: Scott Foresman.
- Wilson D and Game G (2011) *Local Government in the United Kingdom*. Hampshire: Palgrave Macmillan.
- Youndt MA, Subramaniam M and Snell SA (2004) Intellectual capital profiles: An examination of investments and returns. *Journal of Management Studies* 41(2): 335–361.

**Figure 1:** Analytical Framework



**Table 1:** Exploratory factor analysis response strategies (dependent variable)

			Rotated Component Matrix	
			1	2
All items were prefixed with: During the last 5 years, my local government.... (1 = not at all; 5 = to a great extent)				
<b>Bouncing forward</b>	<b>2.85</b>	<b>0.68</b>		
changed the way it delivers services	3.02	0.887	0.743	
changed the priorities of traditional activities	2.88	0.920	0.709	
changed its internal structure	3.07	1.079	0.544	
extended its existing services	2.66	1.040	0.739	
established new services	2.60	0.955	0.750	
<b>Bouncing back</b>	<b>2.37</b>	<b>0.69</b>		
reduced existing services	2.14	0.997		0.707
deferred/reduced investments	2.95	1.235		0.563
increased fees and charges for its services	2.69	1.005		0.654
liquidated assets in order to raise capital	2.21	1.062		0.542
eliminated some services	1.89	0.888		0.783
<i>Eigenvalue</i>			2.730	2.192
<i>Explained Variance</i>			27.298	21.921

**Table 2:** Vulnerability and anticipatory capacities, descriptives and factor analysis

	Descriptives		Ro
	Mean	Std. Dev	
S Global Financial Crisis	3.26	1.126	1
S Migration	2.58	1.064	
S Regulations (e.g., changes in tax base, task devolvment)	3.51	1.003	
V Debt level	2.43	1.33	0.73
V Volatility of own-revenue sources	3.00	0.99	0.83
V Level of reserves	3.04	1.15	0.83
V Autonomy	3.15	1.11	0.73
AC Information exchange with other local governments	3.66	0.86	
AC Information exchange with upper levels of government	3.16	0.91	
AC Information exchange with external service providers	2.93	0.91	
AC Regularly approach professional service providers	2.91	1.00	
AC Monitoring changing national policies and regulations	3.74	0.87	
AC Monitoring changing citizens' needs	3.46	0.82	
AC Monitoring economic developments	3.37	0.91	
AC Monitoring socio-demographic developments	3.43	0.91	
AC People have the information and knowledge they need	3.56	0.92	
AC Information is shared freely	3.39	0.98	
AC Relevant information is passed on quickly	3.56	0.98	
AC People are encouraged to conduct complete analysis of problems	3.14	1.00	
Explained variance			32.68
Eigenfaktor			5.229

**Table 3:** Results of regression analysis for response strategies

	<b>Response Strategies</b>	
	<b>Bouncing Back</b>	<b>Bouncing Forward</b>
<b>External Shocks</b>		
<i>Global Financial Crisis</i>	.079*	.102**
<i>Migration</i>	.081**	.160***
<i>Regulations (e.g., changes in tax base)</i>	.146***	.112***
<b>Anticipatory Capacities</b>		
<i>Monitoring</i>	-.025	.117**
<i>Information Exchange</i>	-.004	.173***
<i>Information Sharing</i>	-.017	.080*
<b>Financial vulnerability</b>		
<i>High level of (perceived) financial vulnerability</i>	.372***	-.129***
<b>Controls</b>		
Size	.001	-.014
Debt Ratio	-.007	-.022
Investing Ratio	-.056	-.007
Current Ratio	-.132***	-.077*
Dummy UK	.051	-.076
Dummy Italy	-.106**	-.165***
R <sup>2</sup>	.285	.201
Adjusted R <sup>2</sup>	.270	0.184
F	18.400	11.557

Note: \* p<0.1, \*\* p<0.05 and \*\*\* p<0.01 levels, respectively.

### To be published online only

#### Appendix 1a: Germany, Italy and UK: Main features

	<b>Germany</b>	<b>Italy</b>	<b>UK</b>
<b>Population in 2013</b>	80,523,746	59,685,227	63,905,297
<b>GDP per capita in Euro 2013</b>	34,884.1	26,958.1	31,562.3
<b>Administrative tradition</b>	Continental European federal model	Continental European Napoleonic/Southern model	Anglo-Saxon model
<b>Level of decentralization</b>	Federal	Unitary ("Quasi")	Unitary
<b>Local government expenditure in % of total government expenditure (2013)</b>	16.3%	28.6%	25.1%
<b>No. of local governments (LAU 2 2013)</b>			
<b>Total</b>	11,116	8,092	418
<b>Population 5,001-15,000</b>	1,919	1,674	1
<b>Population &gt; 15,000</b>	961	737	416

<b>Regional distribution of LG &gt; 5,000</b>	Total: 2,880  West: 2,358 East: 522	Total: 2,411  North:1,592 South:819	Total: 417  England: 352 Scotland: 32 Wales: 22 Northern Ireland: 11
---	--	--	---

## Appendix 1b: Germany, Italy and UK: Sample and respondents characteristics

	Germany	Italy	UK
<b>Sample</b>			
<b>Total</b>	1,921	1,574	406
<b>Population 5,001-15,000</b>	960	837	1
<b>Population &gt; 15,000</b>	961	737	405
<b>Regional distribution of sample</b>	West: 1,586 East: 335	North: 1,022 South: 552	England: 351 Scotland: 32 Wales: 22
<b>Responding LGs</b>			
<b>Total</b>	295 (15 %)	268 (17 %)	64 (%)
<b>Population 5,001-15,000</b>	157 (16 %)	133 (16 %)	--
<b>Population &gt; 15,000</b>	138 (14 %)	135 (18 %)	64 (%)
<b>Regional Distribution</b>	West: 246 (16%) East: 49 (15%)	North: 200 (20%) South: 68 (12%)	England: 55 (16%) Scotland: 4 (13%) Wales: 5 (23%)
<b>Respondent characteristics</b>			
<b>Age (Median)</b>	51-55 years	51-55 years	51-55 years
<b>&lt; 35 years</b>	5.6 %	1.2 %	--
<b>36-45 years</b>	15.0 %	9.0 %	11.3 %
<b>46-55 years</b>	41.4 %	53.1 %	58.1 %
<b>&gt; 55 years</b>	38.0 %	36.7 %	30.6 %
<b>Gender (Male/Female)</b>	66.7 % / 33.3 %	57 % / 43 %	79 % / 21 %
<b>Education (College/University Degree)</b>	62.8 %	89.8 %	95.2 %
<b>Tenure</b>			
<b>&lt; 10 years</b>	26.3 %	7.0 %	8.1 %
<b>10-20 years</b>	18.4 %	25.4 %	21.0 %
<b>20-30 years</b>	32.7 %	38.7 %	43.5 %
<b>&gt; 30 years</b>	22.6 %	28.9 %	27.4 %
<b>Private sector experience</b>	43.2 %	62.1 %	62.9 %

..

To be published online only

## Appendix 2: Operationalization of variables

Dimension and definition	Operationalization ( <i>corresponding Variable in parentheses</i> )	Methods details and references
<b>Shocks/ Environmental Conditions</b> Environmental conditions comprise the institutional, economic, and social environment in which local governments operate. The focus of this study is on external shocks that disrupt the environmental conditions of local governments thereby impacting their financial condition.	Please indicate to what extent the following events negatively affected your local government's financial situation and rate the impact it had. (1=not at all to 5=to a great extent) Global Financial Crisis ( <i>Global Financial Crisis</i> ) Migration ( <i>Migration</i> ) Regulations (e.g. changes in tax base, task devolvement) ( <i>Regulations(e.g. changes in tax base, task devolvement)</i> )	--

Dimension and definition	Operationalization ( <i>corresponding Variable in parentheses</i> )	Methods details and references
<b>Vulnerability</b> The perceived extent of exposure to financial shocks and disturbances that may affect local government finances	How would you rate the financial situation of your local government in terms of the following aspects? (1=strongly disagree to 5=strongly agree) Our local government is heavily indebted ( <b>Debt level</b> ) The volatility of our own revenues sources (e.g. taxes) is high ( <b>Volatility of own revenues sources</b> ) We have enough financial reserves (fiscal slack) to absorb a small amount of shock ( <b>Level of reserves</b> ) Our financial autonomy (considering our own revenue sources) in general is high ( <b>Autonomy</b> )	Hendrick 2011, Maher and Deller 2011, McManus et al. 2007
<b>Anticipatory capacities</b> The availability of tools and capabilities that enable local governments to better identify and manage their vulnerabilities and to recognize potential financial shocks before they arise, as well as their nature, likelihood, timing, scale and potential impacts. In this regard, anticipatory capacity is not limited to the presence of systems in place to plan, control, and manage risks, but also related to situation awareness and sense-making.	Please indicate to what extent you agree/disagree to the following statements. In order to increase the understanding about our environment... (1=strongly disagree to 5=strongly agree) we regularly exchange information with other local governments we regularly exchange information with upper levels of government we regularly exchange information with external service providers we regularly approach professional service providers such as consultants, or tax consultants/accountants ( <b>External information exchange</b> ) we constantly monitor changing national policies and regulations we constantly monitor changing citizen's needs we constantly monitor economic developments we constantly monitor socio-demographic developments ( <b>Monitoring</b> ) Please indicate to what extent you agree/disagree to the following statements. In our local government...(1=strongly disagree to 5=strongly agree) it is considered important that people have the information and knowledge they need to respond to unexpected problems that arise information is shared freely across functions and hierarchical levels when something unexpected happens, relevant information is passed on quickly across functions and hierarchical levels when something unexpected happens, people in this local government are encouraged to conduct a complete analysis instead of providing routine solutions ( <b>Internal information sharing</b> )	Amniattalab and Ansari 2016, Boin et al. 2010, Cohen and Levinthal 1990, Jansen et. al. 2005, Jaworsky and Kohli 1993, Jones 2105, Lee et al. 2013, Lengnick-Hall and Beck 2005, Linnenluecke and Griffiths 2013, McManus et al. 2007, Mott 1972, Paliokaite and Pacesa 2015, Ray et al. 2011, Somers 2009, Stephenson 2011, Weick and Sutcliffe 2001, 2006, Whitman et al. 2013, Wicker et al. 2013, Youndt et. al. 2004
<b>Response strategies</b> The ability to deal with the impact of shocks and disturbances, becoming visible in times of disruption (shock) through strategies, reflecting, on the one hand, the capability to bounce back to an original state or, on the other hand, the ability to, bounce forward through the enhancement of, or development of new, capabilities emphasizing the capacity to reorganize as a response to, or in anticipation of, disturbances, alter or reinvent their strategies	During the last 5 years, my local government...(1=not at all to 5=to a great extent) reduced existing services deferred/reduced investments increased fees and charges for its services liquidated assets in order to raise capital eliminated some services ( <b>Bouncing back</b> ) changed the way it delivers services changed the priorities of traditional activities changed its internal structure extended its existing services established new services ( <b>Bouncing forward</b> )	Andrews 2010, 2011, Jimenez 2012, Overmans/Arnold 2014, Steccolini et. al. 2017, Barbera et. al. 2017, Meyer, 1982; Somers 2009, Boin et al. 2010: 8; Linnenluecke 2017: 6, Meyer 1982)

<i>Financial indicators (2006-2015)</i>		
Debt level	Debt/Operating Expenditures	
Investment ratio	Investment/Operating Expenditures	

Dimension and definition	Operationalization ( <i>corresponding Variable in parentheses</i> )	Methods details and references
Current ratio	(Operating Revenues – Operating Expenditures)/Operating Revenues	