



UNIVERSITÀ DEGLI STUDI
DI BERGAMO



Resilience between risks and uncertainty

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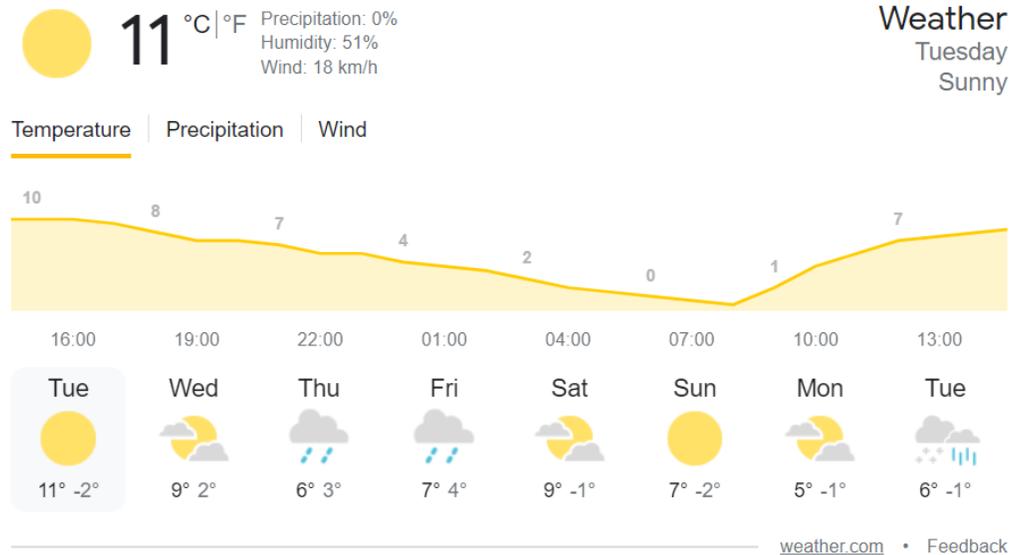
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PSAAG Workshop, Bologna, 29.11.2023

From traditional risk management to navigating uncertainty



- From managing risks based on “indicators”, forecasts, and anticipation (traditional mindset sufficient?)
 - Focus on **“tools” (and checklists)** to manage risk, to calculate, to measure, to forecast

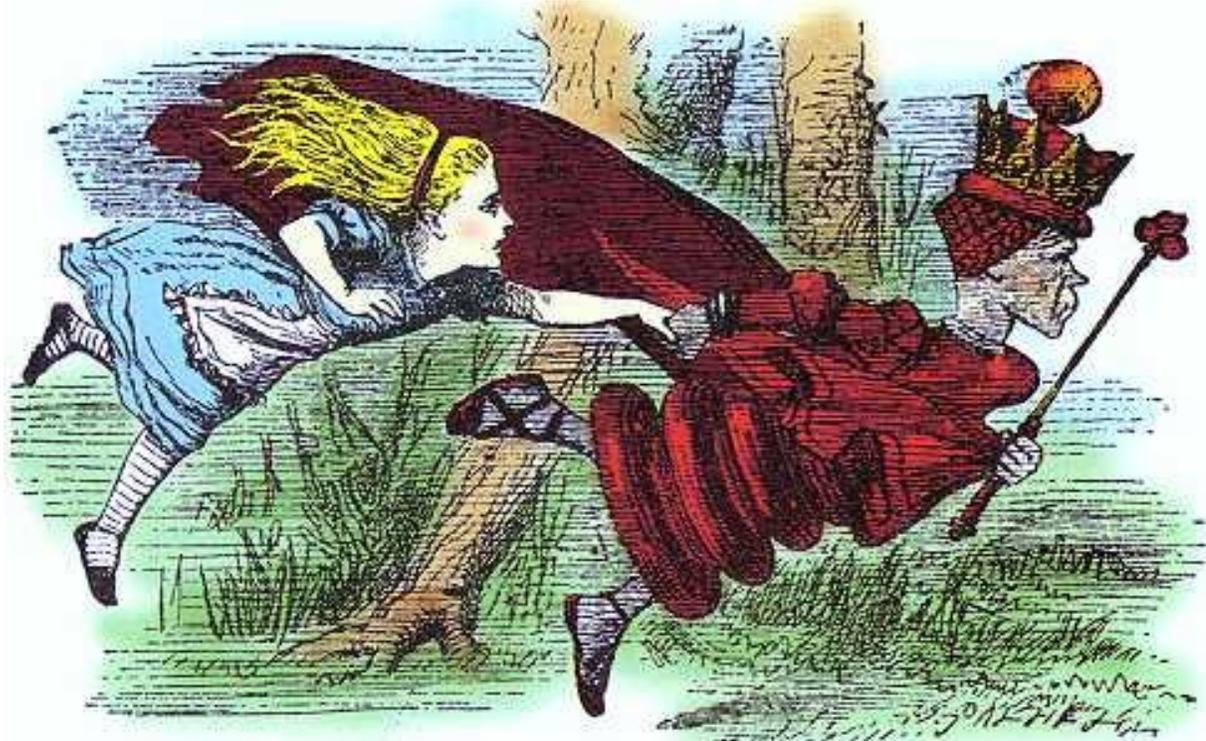
«Indicator» Perspective on Financial Resilience

- ...To navigating full uncertainty (resilience mindset)
 - Focus on **culture, mindset, building capacities, sensemaking**

Organizational Perspective on Financial Resilience



...Resilience



*"My dear, here we must run as fast as we can, just to stay in place.
And if you wish to go anywhere you must run twice as fast as that."*
Lewis Carroll, Alice in Wonderland

- Resilience as the capacity to deal with shocks/uncertainty
 - Bouncing back to the conditions before the shock
 - Bouncing forward to new (better) conditions /learning process
- Resilience as the result of a combination of a plurality of capacities
- Which capacities are needed to deal with crises, shocks and uncertainty?**
 - Are public sector responses just a matter of defining the environment, or do organizational capacities make a difference?**

GOVERNMENTAL FINANCIAL
RESILIENCE UNDER AUSTERITY:
THE CASE OF ENGLISH
LOCAL AUTHORITIES

VOLUME 95 • NUMBER 3 • 2017

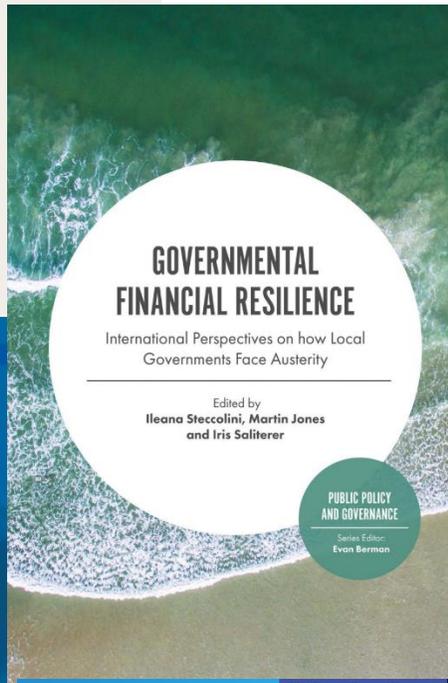
public
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Comparing the autonomy of international public administrations:
An ideal-type approach
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CIMA Research Executive Summary
Vol. 14 Issue 2

IA Global Academic Research Programme

Local government
financial resilience:
Germany, Italy and
UK compared

with a practical tool-kit
for local governments

Accounting, Auditing &
Accountability Journal

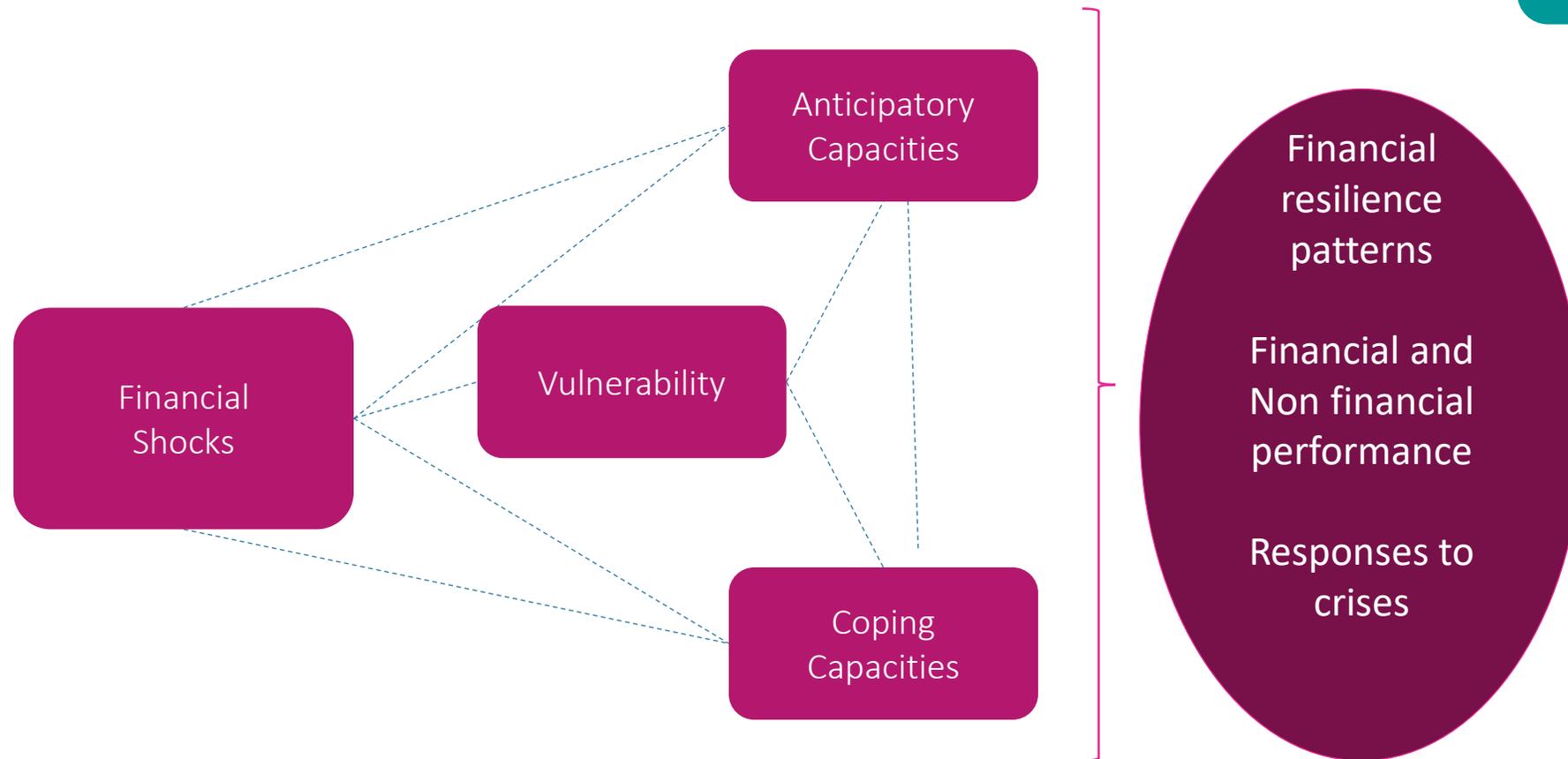
ISSN 0950-3574
Volume 00 Number 00 2018

Our Research (so far)

- ❑ Started in 2012 to explore reactions to the **global financial crisis**
 - ❑ England, www.cimaglobal.com/FinancialResilience
 - ❑ England, Austria and Italy <https://onlinelibrary.wiley.com/doi/full/10.1111/padm.12350>
 - ❑ Australia, Austria, England, France, Germany, Greece, Italy, the Netherlands, Sweden, US, Brazil / cases of 45 municipalities
(<https://www.emerald.com/insight/publication/doi/10.1108/S2053-7697201727>)
 - ❑ Italy, 2020, <http://dx.doi.org/10.1108/AAAJ-11-2018-3739>
- ❑ In 2017-2018: Survey of > 500 municipalities in Germany, Italy, UK (extended to other types of crises)
 - ❑ Financial Resilience Toolkit www.cimaglobal.com/FinancialResilienceToolkit
 - ❑ <https://journals.sagepub.com/eprint/FFZPNHMNTV7ZGYVKV3Z5/full>
- ❑ In 2020 : Survey of > 500 municipalities in Germany, France, Italy, and UK to explore responses to the **COVID / 19 pandemic**
- ❑ 2020-2023: further development and translation into “**Governmental financial resilience**” toolkit to make it usable by local governments
 - ❑ Workshops with LGs
 - ❑ Online version for self-assessment
 - ❑ ...

Financial resilience: the dimensions and their effects

Organizational
Perspective on
Financial Resilience



(Carmela Barbera, Martin Jones, Sanja Korac, Iris Saliterer, Ileana Steccolini, "Governmental financial resilience under austerity in Austria, England and Italy: How do local governments cope with financial shocks?", *Public Administration*, DOI: 10.1111/padm.12350)

Patterns of resilience

Self-regulation/Pro-active Adaptation

- Shocks as opportunities
- Ready to adapt or service delivery, find income
- Able to internally or full range of coping
- Good anticipatory in place before the relative vulnerability
- Ability to manage and to use and shape environment to create

Reactive Adaptation

- Acceptance of need to adapt to changed environment
- Implementation of ad
- Need trigger to activate building of capacities
- Varying levels of vulnerability anticipatory capacity
- Strengthen anticipatory crisis
- Wide range of coping

Constrained Adaptation

- Unable or not yet in a position to control own destiny
- Constantly and proactively adapting constrained by external forces
- Shocks as opportunities
- Have a range of capacities in place develop them
- Threat of slipping into fatalistic mode opportunity of seeking more self-reg path in future

Powerlessness

- Crisis exceeds capacities
- Fatalist mode, ex constrained by e
- Anticipatory capa increase
- Reliance on buff prevails
- Less willing to ta changes
- Poor understand

Contentedness

- Wealthy and less vulnerable before crisis
- Weak anticipatory capacities
- Relying on absorbing shocks should they occur
- Downplay emerging vulnerabilities
- No investing in anticipatory and coping capacities
- Resting on laurels'

The patterns can be explained looking at combinations of capacities and perceived vulnerability

Consequences of Governmental Financial Resilience

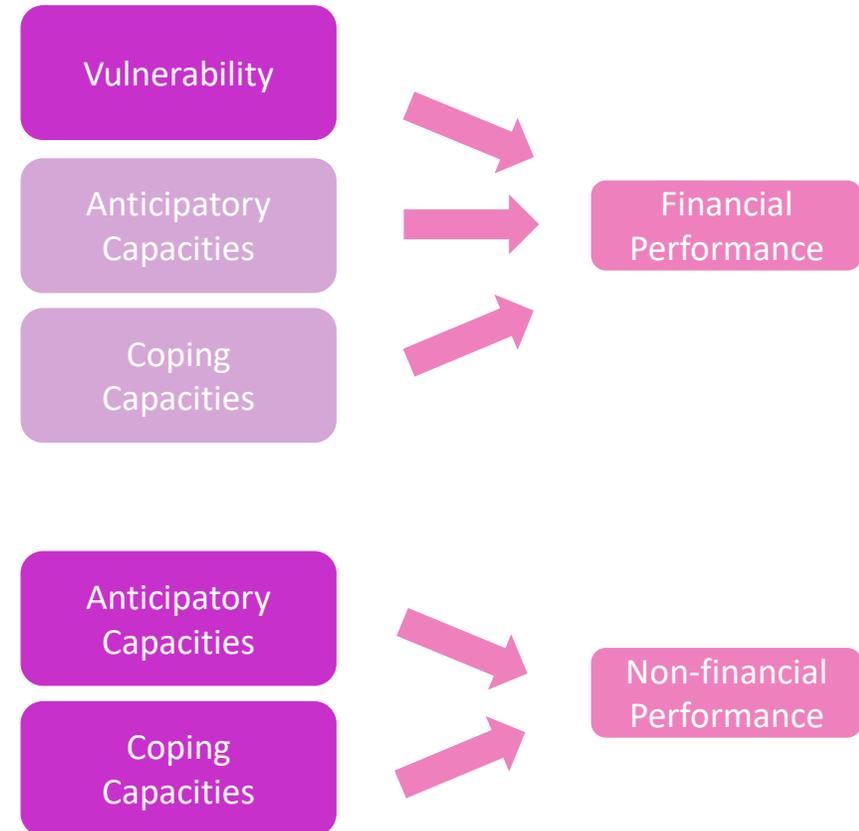
- Organizational Consequences

Financial vulnerability makes a difference in financial performance

Only some anticipatory and coping capacities affect financial performance (monitoring, info sharing, rapidity of action)

Impact of financial vulnerability comparatively lower

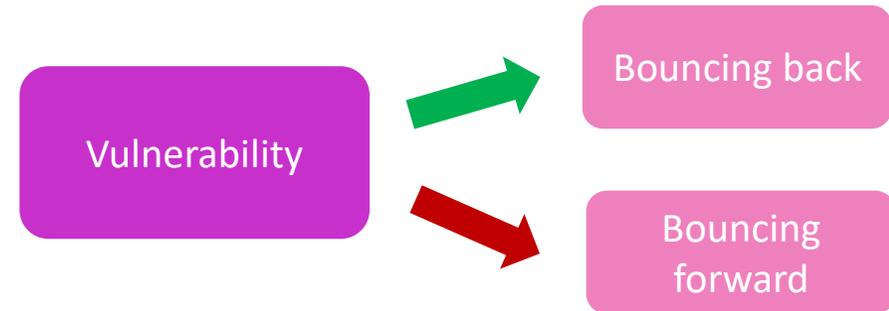
Anticipatory and coping capacities make a difference for non-financial performance...



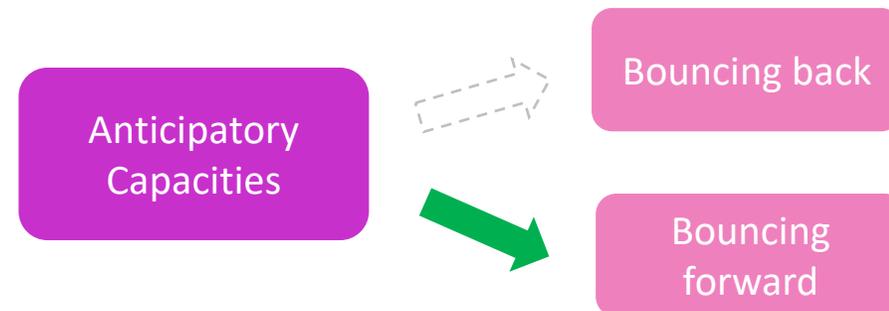
Consequences of Governmental Financial Resilience

- Organizational Consequences

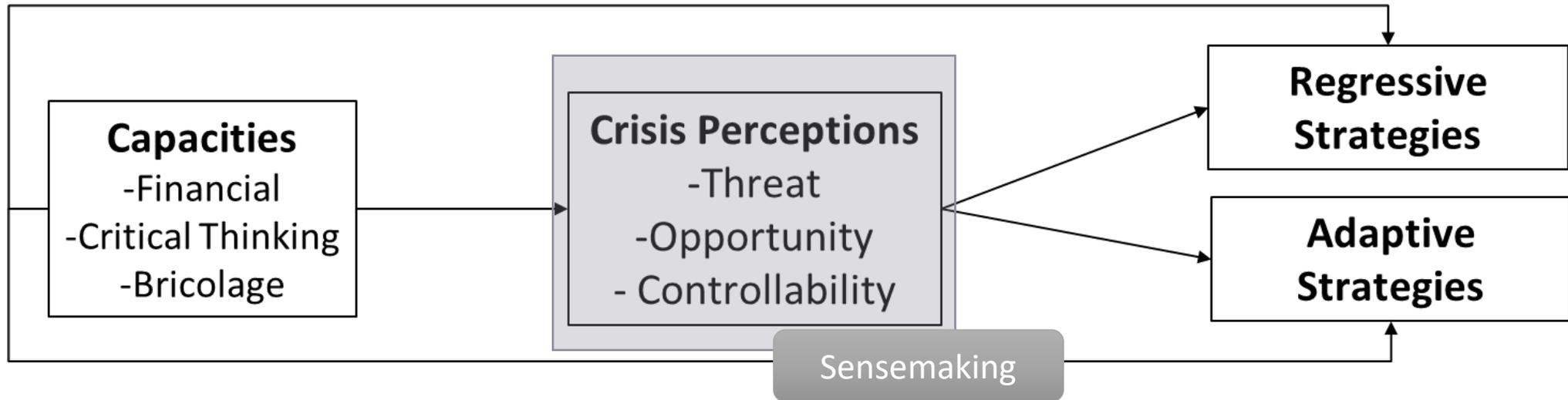
Higher financial vulnerability **encourages** bouncing back strategies and **discourages** bouncing forward strategies



Anticipatory capacities (especially information exchange) **encourage** bouncing forward strategies, and have **no association** with bouncing back strategies



Consequences of Governmental Financial Resilience



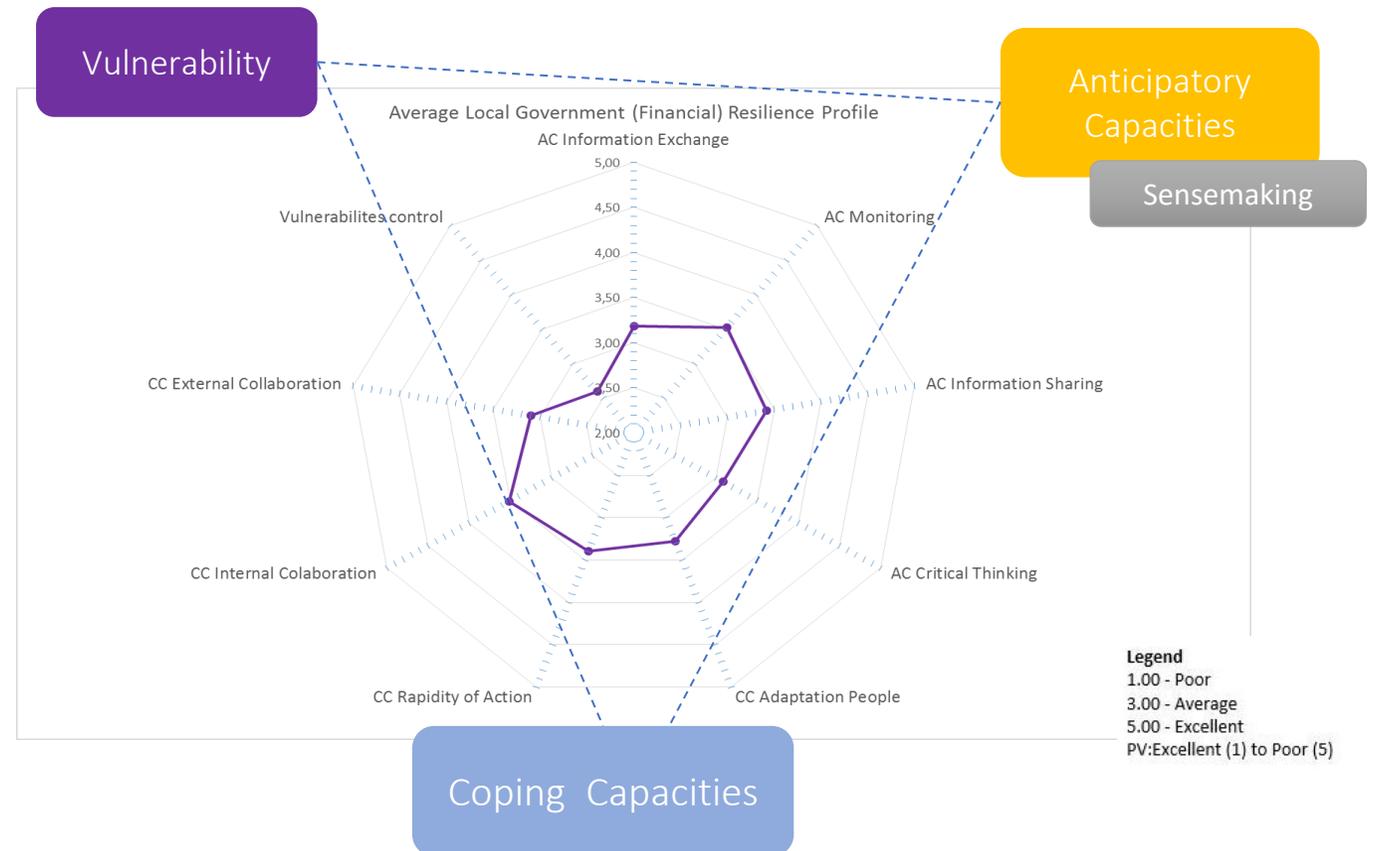
Carmela Barbera, Celine DuBoys, Bernard Dom, Sanja Korac, Iris Saliterer, Ileana Steccolini, "Insights from Local Government Managers: Navigating Crises through Organizational Capacities and Perceptions", ongoing)

Application – Governmental Financial Resilience Toolkit

- Translating the findings of our research (and our framework) into a tool to be used as a support for

- self-assessing anticipatory and coping capacities, and perceived vulnerability
- identifying possible critical areas or strengths

■ Organizational Level



Online Governmental Financial Resilience Toolkit

THE QUESTIONS ARE GROUPED INTO THREE (3) DIMENSIONS AND CAN BE EXTENDED ...

Toolkit users can assess their organisation, based on their perception, regarding the **financial resilience** dimensions

Perceived Vulnerabilities Part 1

How would you rate the following vulnerabilities of your local authority?

[PV1_1] Socio-demographic vulnerabilities (ageing of population, low education, decreasing population) *

1 2 3 4 5

A Major Vulnerability

No Vulnerability at All

Coping Capacities Part 1

Please indicate to what extent you agree/disagree to the following statements about your local authority.

[CC1_1] When dealing with unforeseen problems, we quickly deal with internal conflicts *

1 2 3 4 5

Strongly Disagree

Strongly Agree

Anticipatory Capacities Part 1

Please indicate to what extent you agree/disagree to the following statements about your local authority. **We constantly and reciprocally exchange information...**

[AC1_1] with other local authorities and local public bodies *

1 2 3 4 5

Strongly Disagree

Strongly Agree

- **Perceived Vulnerabilities**

22 assessment items in total, grouped by:

- PV related to External Environment (2020)
- PV related to Financial Condition (2017/2020)

- **Anticipatory capacities**

25 assessment items in total, grouped by:

- External Information Exchange (2017/2020)
- External Monitoring (2017/2020))
- Internal Information Sharing (2017/2020))
- Critical thinking (2017 /2020)
- *Risk Assessment (2020)*
- *Situation awareness by politicians (2020)*

- **Coping capacities**

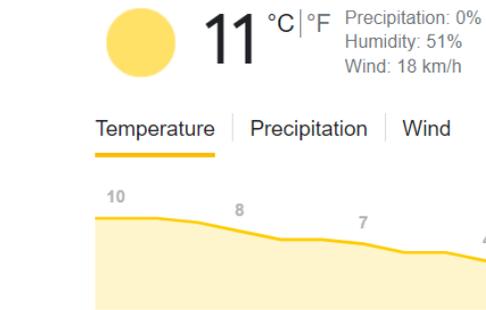
33 assessment items in total, grouped by:

- Rapidity of Actions (2017/2020)
- Flexibility /Bricolage (2020)
- Adaptability, Skills & Knowledge (2017/2020)
- Internal Collaboration (2017/2020)
- External Collaboration (2017/2020)
- External Relations (with Central Gov, 2017/2020))

From traditional risk management to navigating uncertainty

- ...To navigating full uncertainty (resilience mindset)
 - Focus on **culture, mindset**, building **capacities, sensemaking**

Organizational
Perspective on
Financial Resilience



DeepMind AI accurately forecasts weather – on a desktop computer

The machine-learning model takes less than a minute to predict future weather worldwide more precisely than other approaches.

- From managing risks based on “indicators”, forecasts, and anticipation (traditional mindset sufficient?)
 - Focus on **“tools” (and checklists)** to manage risk, to calculate, to measure, to forecast

«Indicator» Perspective on
Financial Resilience



Complementary perspectives?

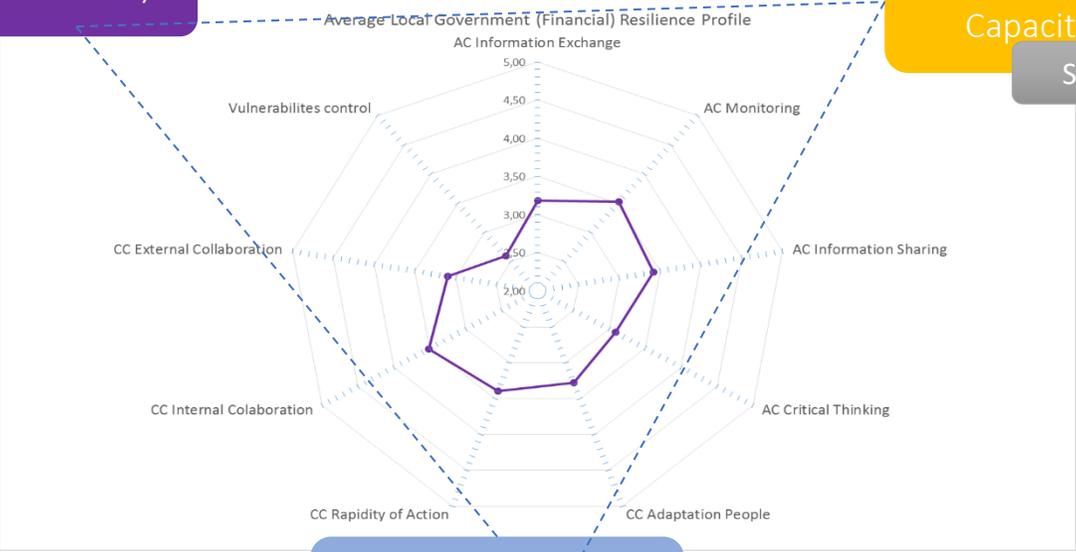


Organizational Perspective on Financial Resilience

Vulnerability

Anticipatory Capacities

Sensemaking

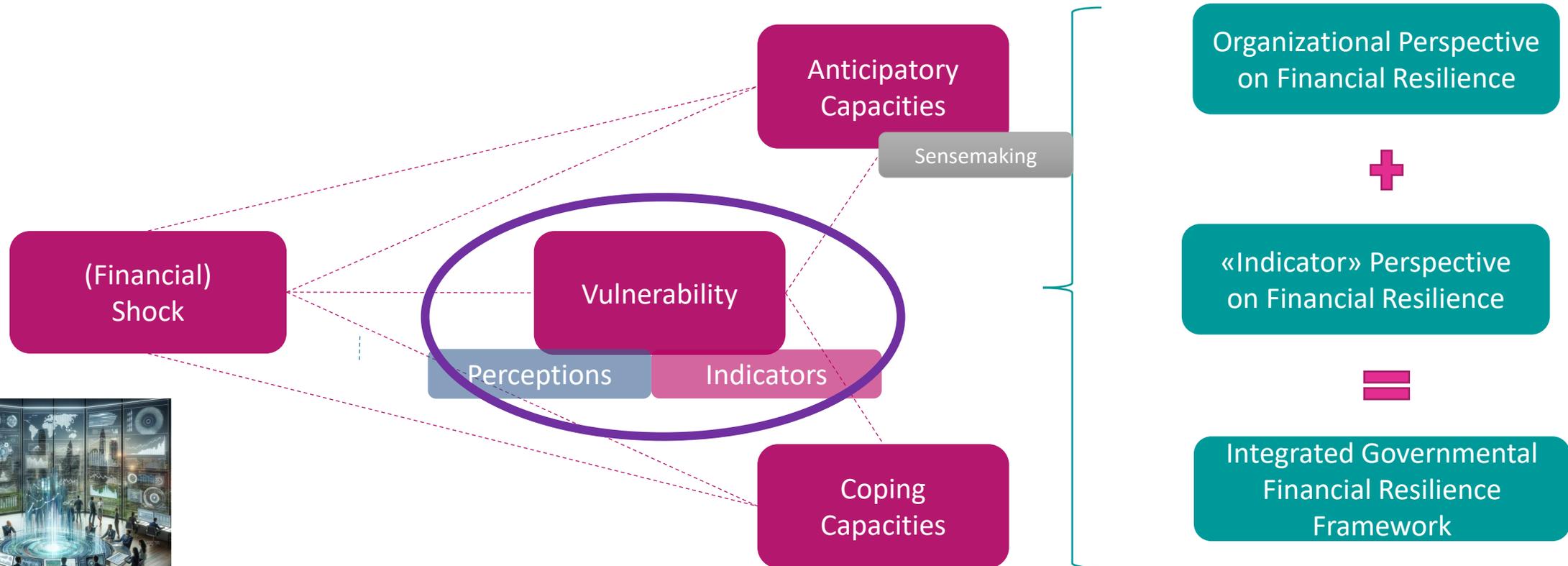


Coping Capacities

«Indicator» Perspective on Financial Resilience

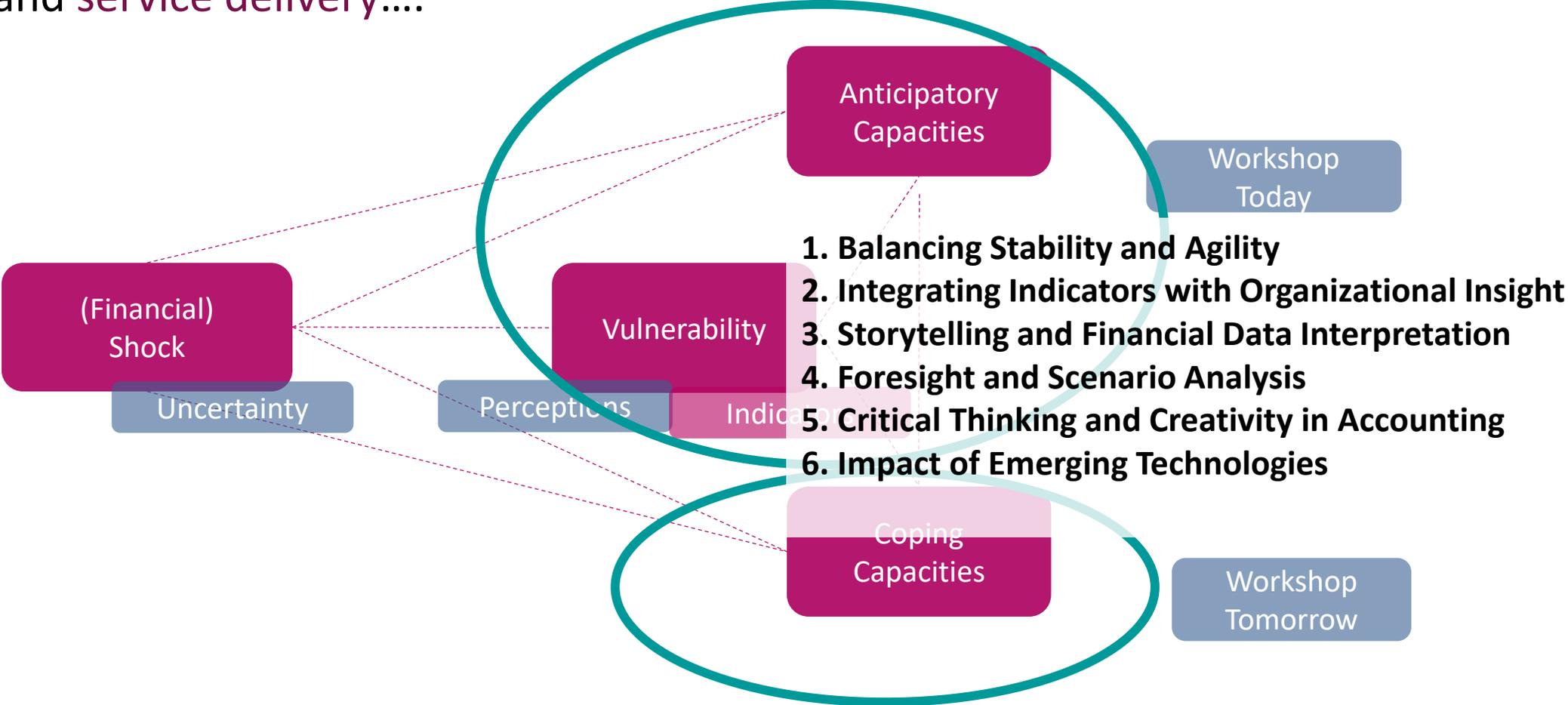
Integrated Governmental Financial Resilience Framework

- “...a government’s ability to anticipate, absorb and react to shocks affecting **its finances and service delivery....**”



Workshop Focus – deepening and broadening understanding

- “...a government’s ability to anticipate, absorb and react to shocks affecting **its finances** and **service delivery**....”



Workshop Outline: Financial Resilience Amid Uncertainty

Session 1: Anticipatory Capacities

Presentation & Provocation

Speaker: Marcus Richards, EY UK

Accounting, Sensemaking and Adaption Amid Uncertainty

+ Discussion

Parallel Breakout Sessions:

- Integrating perspectives
- Techniques facilitating sensemaking
- Digital tools and human competencies

Post-Breakout Wrap-Up

Guiding questions Session 1

Session 1 Anticipatory Capacities – Sensing and Shaping the Future

Integrating perspectives

- In the landscape of persistent uncertainty, how can public sector organizations ensure routine financial activities are robust yet adaptable to sudden changes and challenges?
- *How can we best integrate quantitative financial indicators with qualitative organizational insights to create a more comprehensive picture of financial resilience in the public sector?*

Techniques facilitating sensemaking

- What role does storytelling play in interpreting financial data, helping us to anticipate future financial challenges?
- How can we utilize techniques such as Foresight and Scenario Analysis to capture and make sense of uncertainties?

Digital tools and human competencies

- How can we encourage critical thinking and creativity in accountants to enhance anticipatory capacities and move towards sustainable financial resilience?
- In the context of digitalization, particularly the use of AI, how can public sector financial management evolve to better anticipate and prepare for uncertainties?

Session 1 – Group „Techniques facilitating sensemaking – Storytelling, Foresight“

1. „What do we mean by storytelling?“
 - The ability to articulate financial performance and financial risks

Elements of Storytelling:

- Accounting data
- Narrative
- Language
- Visualization
- Audience/Accountability relations
- Narrative by whom
- Setting

Session 1 – Group „Techniques facilitating sensemaking – Storytelling, Foresight“

2. „How important is storytelling?“

→ Highly! It serves different **purposes**

- Connect with citizens/voters, inform citizens about key topics
- Bridge the gap between accounting world and professionals
- ‘Educate’ stakeholders
- Justification vs. **exploration**

Exploration requires less systematic (in the accounting sense) techniques → **Foresight**

- Incentives
- Plurality of views
- Purpose-orientation
- Room for exploration
- Culture (shift)
- Structures
- Critical thinking

Foresight/scenario analysis as a way to overcome one-sided narratives and negativity bias?

Digital tools and human competencies

Q1: How can we encourage **critical thinking and creativity** in ~~accountants~~ different actors (e.g. accountants, managers, civil servants, and politicians) to enhance anticipatory capacities and move towards sustainable financial resilience?

Q2: In the context of digitalization, particularly the use of AI, **how need accounting competencies to evolve** ~~how can public sector financial management evolve~~ to better anticipate and prepare for uncertainties?

- Importance of Critical Thinking and Creativity (needs to be defined) was emphasized, it not only applies to accountants but is also relevant for other actors (e.g. managers, politicians ...)
 - Accounting primarily as a method for financial reporting and accountants as reporting robots (external and internalized perspective, i.e. lack of self-efficacy)
 - Lack of awareness, understanding and meaning making of accounting data – role of power
 - Recent development (e.g. focus on SDGs) might however change this and serve as window of opportunity
 - Differences between countries re presence of financial and management accountants
 - Different ways how accountants are seen as a profession
- Discussion about redefining the roles of accountants beyond traditional tasks to become **advisors, strategic partners, facilitators, interpreters, and educators**.
- Also possible trade-offs...

Interpersonal Skills

Digital tools and human competencies

Q1: How can we encourage **critical thinking and creativity** in ~~accountants~~ different actors (e.g. accountants, managers, civil servants, and politicians) to enhance anticipatory capacities and move towards sustainable financial resilience?

Q2: In the context of digitalization, particularly the use of AI, **how need accounting competencies to evolve** ~~how can public sector financial management evolve~~ to better anticipate and prepare for uncertainties?

- Potential of digitalization and AI to enhance was (more broadly) recognized
- Challenges and barriers in adopting these technologies were discussed, including resistance within the accounting profession, and the need for appropriate skills.
 - With routine tasks being automated, need for **conceptual competencies** increase (i.e. for selecting and classifying relevant information as well as interpreting it; critically auditing systems and information).
 - The importance of developing competencies for the effective use of digital tools and AI in accounting was highlighted
 - While data is available, a significant issue is that these data and derived indicators are often underutilized
- Re-inventing accounting and role of accountants? Curricula development?
- Resources as constraint (pooling?)

Conceptual Competencies

Guiding questions Session 2

- **Session 2: Coping Capacities – External Collaboration and Influence**
- How do external collaborations and relationships enhance an organization's capacity to cope with financial shocks and uncertainties?
- What role do external actors, such as auditors and stakeholders, play in shaping the resilience strategies of public sector organizations?
- How can the public sector leverage external insights and resources to fortify its financial resilience, especially in the face of evolving challenges like digitalization?

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