Innovative austerity management

How city managers create slack for innovation in times of fiscal stress

Tom Overmans
School of Governance, Utrecht University, Utrecht, The Netherlands

Received 26 April 2018
Revised 10 July 2018
27 August 2018
Accepted 27 August 2018

Abstract

Purpose – The purpose of this paper is to uncover the right type of organizational slack for innovation. It examines how city managers conceive slack, and how they create slack to facilitate innovation while dealing with fiscal stress.

Design/methodology/approach – The study is built around a comparative case study approach to uncover contrasts, similarities and patterns of slack-building for innovation in austere times. It relies on the experiences of 12 experienced city managers. Data are sought from elite interviews and one focus group.

Findings – The main finding is that innovation in the public sector does not benefit from slack in general, but from a specific type of slack. The evidence shows that useful slack for innovation is not so much about financial slack or HR slack, but about psychological slack.

Research limitations/implications – This study adds to the literature that the key questions of slack research should not only focus on identifying the "right amount" of slack but also on identifying of the "right type" of slack.

Practical implications – Public managers who want to deal with (fiscal) crises more innovatively might reconsider their perceptions of slack and its value. Rather than operating on a pure cost effectiveness paradigm, they should balance the costs of slack and its innovative abilities.

Originality/value – This paper highlights the social/psychological side of austerity management. It concludes that increasing the ability of public organizations to innovatively cope with fiscal stress is not so much about increasing predictive capacity or financial buffers, but about increasing the mental leeway of coworkers.

Keywords Innovation, Austerity, Municipalities, Organizational slack, City managers, Psychological slack

Paper type Research paper

1. Introduction

Municipalities in the Netherlands have been coping with a fiscal crisis roughly between 2009 and 2016. The combination of national government cuts and rising costs for public services forced managers to rethink local government and come up with bold and creative solutions. The preference for innovation to deal with the global financial crisis (GFC) is omnipresent (Kiefer *et al.,* 2014). Innovation was considered as the ultimate solution to run municipalities different and therefore better and cheaper (Overmans and Noordegraaf, 2014). It is often argued that slack is a vital catalyst for creative behavior and innovation (e.g. Cyert and March, 1963; Herold *et al.*, 2006). Slack allows original thinking because it protects the organization from the uncertain success of innovative projects (Nohria and Gulati, 1996) and provides spare capacity for learning or deployment in crisis (Hood, 1991). Slack-rich organizations, in other words, can recover from crises more innovatively because they are in the possession of excess resources that can be allocated quickly to develop and implement breakthrough ideas.

The likelihood that municipalities hold certain levels of slack in times of austerity, however, is quite slim. On the contrary, it is repeatedly demonstrated that increasing efficiency is among the most important management aims when dealing with fiscal deficits

Journal of Public Budgeting, Accounting & Financial Management
Vol. 30 No. 4, 2018
pp. 350-367
Emerald Publishing Limited
1096-3367
DOI 10.1108/JPBAFM-04-2018-0035

(e.g. West and Condrey, 2011; Raudla *et al.*, 2015), although there is some evidence of slack (building) in Italian municipalities that are coping with fiscal stress (Barbera *et al.*, 2016). Typically, the discovery of waste will delight managers not because this provides them with unabsorbed resources and fresh capacity to develop new approaches, but with new opportunities to drive costs down. The attention for organizational efficiency during austerity and the negative perception of excess capacity is partly caused by the dominance of NPM-thinking (Hood, 1991; Pollitt *et al.,* 2007; Diefenbach, 2009). Ever since the 1980s, the dominant management paradigm has been focusing on finding ways to transform public organizations into proper lean organizations (Lawson, 2001). But especially under dire circumstances, slack resources are welcomed as cashable cost-savings (Jimenez, 2014; Cepiku and Savignon, 2012).

The contradiction between the necessity of slack for innovation and the absence of slack during austerity, raises serious questions about how city managers have realized their ambitions to overcome the GFC in ways that are innovative. This paper focuses on this particular tension, and analyzes how slack can be managed in the midst of crisis. The central research question is:

RQ1. How do city managers conceive organizational slack, and how do they create the "right type" of slack for innovation while dealing with fiscal stress?

The study is built around a comparative case study approach and aims at uncovering contrasts, similarities and patterns of slack-building for innovation in austere times. It relies on the experiences of 12 experienced city managers that participated in the Network for Innovative Austerity Management, an interorganizational learning forum that was established in 2012, focusing on their interventions to foster an innovative climate. Data are sought from semi-structured elite interviews and one focus group. The study enables theory building, as the results generate new insights for the re-conceptualization of slack and slack-building in specific contexts.

This paper begins by introducing slack against the background of innovation and austerity in Section 2. Also, two expectations are formulated in this section. Next the design and setting are clarified. In the fourth section the paper presents the slack building practices in 12 Dutch municipalities. In Section 5 the results are discussed and avenues for future research are presented. Conclusions are drawn in the final section.

2. Theory

2.1 Organizational slack

The concept of organizational slack was introduced in the 1960s (Cyert and March, 1963; Näslund, 1964) and gained considerable attention ever since (e.g. Welbourne *et al.*, 1999; George, 2005; Sgourev and Van Lent, 2017). More generally, slack is considered as "resources in excess of what is needed for the normal efficient operation of an organization" (Bourgeois, 1981, p. 34). Slack applies to all organizational levels because "it captures the extent to which any unit (be it an individual, a department, a function, a division or a firm as a whole) has excess resources that can be marshaled to meet contingencies" (Nohria and Gulati, 1996, p. 1247). Daniel *et al.* (2004) have argued that slack can be available (e.g. by deploying unallocated budgets), recoverable (e.g. by restoring inefficiencies), or potential (e.g. by raising unused tax capacity).

When theorizing about slack, a distinction is typically made between two types of slack: financial slack (FS) and HR slack (HRS). First, and most dominant in the literature, is the focus on FS, also known as budgetary slack (e.g. George, 2005; Bourgeois, 1981). FS refers to the presence and availability of excess budgetary resources. Although it is relatively easy to describe and retrieve particular budgets and accounting ratios, a number of indicators have been proposed to operationalize FS. One or more of the following indicators are typically used to measure the presence of FS within an organization: cash reserves, working

capital, debt-to-equity ratio, current ratio or R&D-funds. More generally, this paper refers to FS as unallocated budgets or potential revenue sources that public managers can influence and redistribute for alternative purposes without hurting the agreed operational output.

A second way to conceptualize slack is by emphasizing the personnel aspects of the concept (e.g. Mishina *et al.*, 2004; Welbourne *et al.*, 1999). Human resource slack (HRS) generally refers to an excess staff situation where an organization has a greater number of employees than is necessary to sustain routine operations. This perspective is more blurred because it lacks a clear definition and concentrates on a wide spectrum of indicators, such as the level of redundant staff (Bourgeois, 1981), available time (Lawson, 2001), staff-to-output ratio (Welbourne *et al.*, 1999), or types of knowledge (Lecuona and Reitzig, 2014). This paper considers HRS as excess staff capacity that public managers can influence and redistribute to explore new activities and to guarantee the continuation of the organization, even if one component fails.

Although the differentiation between FS and HRS is accepted, it has also been criticized (e.g. Sgourev and Van Lent, 2017; Forte *et al.*, 2000; see also Denhardt and Denhardt, 2010). The main critique argues that the division ignores relevant indicators and alternative dimensions of excess capacities maintained by an organization, such as cultural dimensions (i.e. the extent to which institutions allow redundancy, cf. Schein, 1997), social dimensions (i.e. the number of relationships with internal and external coworkers, cf. Uzzi, 1999) and individual dimensions (i.e. the level of attention that coworkers redistribute to what is most important, cf. Senge, 1990). One possible explanation for the strong preference for FS and HRS might be in the chances to operationalize the concepts to make them suitable for empirical research. Especially FS, but also HRS, can be relatively easily operationalized to physical entities such as cash, people, skills, machine capacity and so forth (cf. Sharfman *et al.*, 1988). Informed by the literature, the focus of this study is on slack in terms of finances and HR, although it is explicitly open for alternative, less tangible dimensions of slack, either at the organizational level, the interpersonal level or the individual level.

2.2 Slack: curse or blessing?

Both in theory and practice, one can find proponents and opponents of organizational slack. It is obvious to relate the preference or rejection of slack to Wildavsky's (1964) renowned "spender/guardian" framework. For many decades it is argued that budgeting outcomes are shaped by the rational behavior of actors in two highly institutionalized roles. First are the spenders, such as aldermen and division directors, whose main preoccupation is providing public services. One reason for spenders to increase their budget is that they are confronted with things that are not realized but should be realized. Although it seems noble to strive for bigger budgets to create more public value, there are many other reasons that explain the quest for bigger budgets. According to Niskanen (1994), for instance, self-interested spenders will seek to enlarge their budgets in order to increase their own power, thereby contributing to unrestrained expenditure growth as well as inefficiency. Spenders are likely to leave the concern about the "bigger picture," such as whether or not the total budget will be balanced, to the guardians (MacKinnon, 2008).

These guardians, such as the financial alderman or the treasury department, are the protectors of the public purse. They strive for fiscal discipline and minimum levels of adequate budget allocation. Despite the great usability and impact of the framework it is also criticized (e.g. Good, 2014). Typically, these criticisms address the framework's rigidity and simplicity. Municipal actors, for instance, can perform multiple functions at the same time. In one "budget game," a division director might act as a spender that aims at gathering the biggest possible budget, whereas in another game he takes the role of the guardian that limits funding among a few competing claimants (p. 24). Nevertheless, following the spender/guardian explanation, it can be argued that the positive or negative perception of

slack is related to the specific institutional role an official performs. Spenders are likely to attach more value to extra capacity and will invest more time in the building of slack. Guardians on the other hand, are likely to embrace a more negative perception of slack as they strive to limit public spending.

The literature also provides evidence for a second perspective, which helps to understand the opponents of slack. Ample evidence has demonstrated that NPM has affected manager's thinking about efficiency and parsimony (e.g. Hood, 1991). The increased attention for financial discipline created a climate that imposed fiscal limits, introduced new budgetary methods and amended incentive structures shaping bureaucratic behavior (Kelly and Wanna, 2000). Stimulated by the growing importance of NPM-thinking, slack is increasingly considered as avoidable cost and a reflection of managerial incompetence (Pollitt *et al.*, 2007). Rather than allowing slack, the government has to be transformed into lean and mean business machines (Lawson, 2001). The pressure to eliminate slack that grew under NPM is likely to kick into high gear in times of crisis (Dunsire and Hood, 1989; Raudla *et al.*, 2015). Especially during austerity, slack is considered as a reservoir of wasted resources that needs to be fully tapped (cf. Nohria and Gulati, 1996). The NPM-explanation, therefore, suggests that the three decades of entrepreneurial thinking has slowly eroded the appreciation and existence of slack in public organizations.

One third perspective, which helps to better understand the proponents of slack, is related to ideas of organizational resilience. Instead of regarding slack as waste, it is viewed as a critical buffer that stimulates the recognition and appreciation of emergent possibilities. In this position, scholars emphasize the relevance of slack for solving conflicts (Cyert and March, 1963), stimulating creative thinking (Bourgeois, 1981), facilitating organizational learning (Moynihan and Landuyt, 2009) and adaptation (Barbera *et al.*, 2016). The favorable perception of slack has gained traction especially from organizational behaviorists (reconciled in Denhardt and Denhardt, 2010). Instead of eliminating slack and losing the capacity for resilience, governments have to allow excess capacity that makes them adaptable and able to deal with contingencies (Weick and Sutcliffe, 2007). It is argued that especially during crises, excess capacity is crucial for practicing the needed innovation, adaptation and experimenting (e.g. Wildavsky, 1988; Hamel and Valikangas, 2003). Recent evidence shows that municipalities that allowed and activated slack and ensured flexibility in spending were able to develop more dynamic and sustainable responses to fiscal stress (Barbera *et al.*, 2016). The resilience-explanation suggests that individuals appreciate and create slack so as to deal with environmental shocks and discontinuities.

2.3 Slack and innovation

The relationship between slack and innovation has received considerable attention from a wide range of scholars (e.g. Huang and Chen, 2010; De Vries *et al.*, 2016; Herold *et al.*, 2006). For addressing innovation, this paper follows Lodge and Wegrich (2014, 6ff) who state that "innovation denotes, at its most basic level, a degree of change that goes beyond the familiar and that is being replicated intentionally." These changes might refer to the introduction of new products – such as new youth care products – or adjustments in procedures – such as new ways of co-producing public services. Similar to the debate about the value of slack, there are supporters and opponents of slack for innovation. Scholars in the unsympathetic group, which has become increasingly smaller over the years, have argued that slack hurts innovation because it stimulates investments in unnecessary pet projects of executives and unrelated activities (Jensen, 1993). Child (1972) argues that even though slack results in the development of many new ideas, the likelihood that breakthrough ideas are translated into valuable innovations for the organization is limited because the most appreciated ideas are often stronger related to personal preferences of managers than to economic considerations.

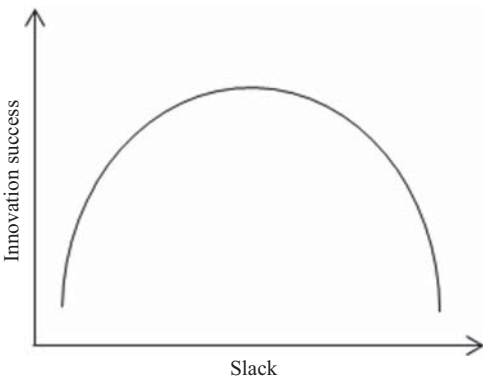
Scholars in the supporting group, which has become increasingly larger, have generated more and more empirical evidence that demonstrates a relationship between slack and innovation. Most evidence supports the idea of the curvilinear relationship that was introduced by Bourgeois (1981). He argues that slack is positive, up to a point, then negative (Figure 1). Nohria and Gulati (1996), for instance, have confirmed that a lack of slack impeded innovation in multinational corporations because it discouraged the development of creative ideas with uncertain outcomes; but also show that too much slack hurts innovation because it allowed the execution of thoughtless projects. The existence of such a general inverted U-shape relation between slack and innovation is repeatedly confirmed in other sectors and other organizational levels (e.g. Herold *et al.*, 2006; Chen and Huang, 2010). Within the last decade, it has become accepted that it is not an issue of whether or not slack is important for innovation; it is about finding the "right amount" of slack.

Although the empirical work is of great importance, three remarks can be made. First, it remains unclear what type of slack serves innovation. Although the curvilinear relationship between slack and innovation is repeatedly confirmed, scholars do not yet agree on which type is most valuable. Sometimes emphasis is placed on money, sometimes on people, but almost never on alternative dimensions. Second, most publications lack insight into the managerial interventions to create slack, that is, to capitalize excess capacity to make it work for innovation. Third, most studies focus on slack in the private sector. This paper attempts to fill these gaps and examines how public managers conceive slack and its value for innovation, and how they create the right slack for innovation while dealing with fiscal stress.

This paper tests two expectations to discover the "right type" of slack for innovation. The first expectation focuses on the importance of FS. The rationale here is that managers who want to practice innovation focus on the creation of FS because monetary buffers enable the hiring of experts for innovation projects and protect the organization from the uncertain success of such projects. Also, a bigger budget increases the manager's influence and intervention space. The financial expectation is formulated as follows:

- Expectation 1: when stimulating innovation during austerity, the key focus of city managers is on creating financial slack.

The second expectation focuses on the importance of HRS. The rationale here is that managers who want to practice innovation focus on the creation of HRS because spare staff capacity provides the organization with the time and skills to develop original ideas.



Source: Bourgeois (1981, p. 31)

Figure 1.
Relationship between slack and innovation

Also, a bigger department will increase the manager's power and influence. The HR expectation is formulated as follows:

- Expectation 2: when stimulating innovation during austerity, the key focus of city managers is on creating HRS.

3. Research design

A case study approach is used to find out how city managers realize their ambitions to overcome austerity in ways that are innovative. More specifically, this paper relies on a comparative case study to examine how 12 city managers deal with the tension to create slack for innovation while coping with fiscal stress.

3.1 Study setting

Dutch municipalities have been dealing with austerity roughly between 2009 and 2016. A combination of national government cuts, depreciation of construction land and rising costs for local services, forced them to rethink local government and come up with bold and creative solutions. On average, the municipalities had to restore a gap of around €250 per capita (Overmans, 2017). Because Dutch municipalities strongly depend on national grants and lack the opportunity to raise council taxes or introduce new revenue sources, they focused on reducing expenditure.

This study concentrates on 12 Dutch municipalities, a sample that is obtained from a critical case selection as it exemplifies a group of municipalities where the desire existed to overcome the GFC in ways that are innovative. Between 2012 and 2014, the cities of Amersfoort, Amsterdam, Arnhem, Ede, Eindhoven, Emmen, Enschede, Hilversum, Leeuwarden, Nijmegen, Utrecht, Zaanstad and Zwolle (full list) formed the "Network for Innovative Austerity Management" (*Netwerk Vernieuwend Bezuinigen*)[1]. The municipalities have between 90,000 and 850,000 inhabitants and employ between 700 and 14,000 coworkers. The network aimed at developing and distributing knowledge about innovative responses to the GFC, but also about increasing their abilities to adapt to future crises. The network membership constitutes convincing evidence that a desire for innovation existed. Within this setting, the research question is situated: How do city managers conceive slack, and how do they create the right slack for innovation? The comparative design is used to investigate managerial slack-building practices, and to discover contrasts, similarities, and patterns.

3.2 Data sources

The study relies to a large extent on the experiences of city managers. In the Netherlands, city managers (aka Chief Administrative Officers) are full-time administrators appointed by the Council for Mayor and Aldermen (CMA). As general director of the administration, they are the highest-ranking municipal official. They are secretary of and first policy advisor to the CMA. They have a crucial role in proposing priorities among policies and projects, deciding organizational outputs, recommending organizational development and appointing top and middle management. Between December 2017 and January 2018, in-depth elite interviews (Rhodes *et al.,* 2007) were conducted with 12 experienced city managers for the detailed generation of individual accounts.

The interviews were structured around three topics that relate to the literature and the formulated expectations (Figure 2). First, the interviews focused on the "presence of an innovation climate" within the municipalities. This enabled the collection of data about the ambitions to overcome fiscal stress with innovations and disentangled how the managers connect austerity and innovation in their practices. Second, the interviews focused on the "presence of organizational slack" within the organization. This facilitated the retrieval of

the managers' perceptions of organizational slack; especially of the "right type" of slack that stimulates innovation. Third, the interviews focused on the "actions by which the city managers create slack during austerity." The empirical evidence that was collected in this section allows theory building about slack-building in specific contexts.

Interviews were recorded and verbally transcribed to enable thorough scrutiny. The data from the interviews were used to inform and structure one focus group that was organized in February 2018. The focus group brought together six of the city managers to discuss the findings at a more strategic level and to trace differences and similarities within the group. The focus group was also transcribed to allow further analysis.

3.3 Data analysis

The data analysis consisted of three stages. First, all transcripts were analyzed to uncover contrasts, similarities and patterns within the managerial practices. Informed by the literature, the evidence was categorized into a number of sub groups, such as the "existence of innovative projects" and the "organization of projects" in interview topic 1, or the "availability of financial buffers" and the "availability of staff capacity" in topic 2. The first analysis guided the empirical answering of the expectations. Second, as an intermediate stage, the transcripts were examined from a broader perspective. This analysis deliberately moved away from the literature and aimed at the exploration of unaddressed types of slack. The second analysis facilitated the empirical discovery of alternatives types of slack that served innovation in the municipal practices. Third, the evidence from the transcripts was analyzed and compared to show how city managers have built the right type of slack that stimulated innovation. The outcomes of the different stages were discussed with six managers in the focus group. The group discussion resulted either in encouraging and strengthening preliminary findings (as was the case, for instance, with the identification of beneficial slack for innovation) or weakening and reorienting such findings (as was the case, for instance, with the preliminary identification of interventions to create slack). The results of the analyses are elaborated below.

4. Findings

4.1 Illustrating the innovative ambitions

The interviews generate 12 stories of managers involved in a serious crisis. Although the impact of the GFC varied across municipalities, the cases illustrate that the endeavor was anything but business as usual. Of course, serious cuts were needed in the short run to restore the deficit, but at the same time the municipalities had to implement far-reaching youth and elderly care tasks that were decentralized from central government, deal with a fragmented political climate and an empowered society and ensure that the operation continued to run.

A major thread running through the interviews is the insight that innovation was crucial for dealing with the GFC. In the managers' experience, an isolated approach to reducing

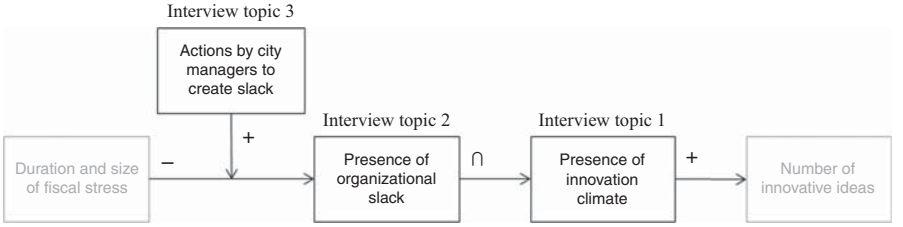


Figure 2.
Three interview topics

budget deficits would have been harmful for the organization because it denies the crucial developments that occur in the environment simultaneously. One manager (R1) used the metaphor of repairing a sinking ship without reconsidering the original destination. Another respondent addressed it as follows:

> Stand-alone cutback management is like focusing on yesterday's agenda. And it is exactly that what brought us in problems. If we had stuck to the world of yesterday, we would have never actually stepped forward. I think that especially the policy elites need to understand what is happening out there, where the organization is heading for in the long run. […] It is crucial that austerity is put in this perspective of tomorrow's challenges. (R10)

The example illustrates that the environment in which cities were operating, had seriously changed and that organizational adaptation was crucial to secure the long-term viability of the municipality.

The practices show that austerity was only one of many things that needed managerial attention. Despite its prominence and impact, the cases reveal that austerity was subordinate to the substantive change that the municipality had to undergo. The participants in the focus group (R1, R2, R3, R4, R5 and R7) agreed that widespread innovation was most significant, not austerity. Repositioning the managerial task in such way was important because it put emphasis on other terms, themes and tones. Instead of viewing austerity as a stand-alone fiscal endeavor, the managers arranged it as part of a comprehensive organizational change practice that connected different types of innovation, that had to deliver large savings and of which the outcomes were uncertain. The evidence (e.g. R2, R4, R6 and R8) shows that the alternative perspective resulted in important, but very practical alterations, such as a different political embedding. Because the dominant focus moved from finance to organizational change and innovation, the primary responsibility of the process was not vested in the financial alderman, but in a joint steering committee that linked various field, including strategy, HR and finance. This broader perspective and shared responsibility served as the foundation for the development of coherent reforms that facilitated the achievement of both substantive and financial goals.

The cases generate numerous examples of innovations that have been developed to increase organizational performance but also contributed to deficit reduction. The examples refer to procedural innovations, such as the introduction of data driven enforcement (R2, R4) and adjustments in citizen participation routines (R8, R9); but also to product innovations, such as the merger of multiple permits into one combined product (R3) or the development of software applications (R1, R5). The evidence (e.g. R3, R6, R8 and R9) demonstrates that most of the successfully implemented innovations were developed and tested by the street level bureaucrats themselves, that is: by the coworkers who had to work with the established routines or products. There are, however, also examples (e.g. R2, R4) of municipalities that have successfully developed and implemented innovations with dedicated innovation teams or central innovation programs.

4.2 Clarifying the value of organizational slack

The managers are familiar with slack and the evidence shows that they are able to interpret the phenomenon in rather precise terms. More generally, the respondents address both archetypical types of slack. When asked to conceptualize the concept, they typically start addressing either its financial aspects (e.g. R1, R4, R8 and R9) or its personnel aspects (e.g. R3, R6, R10 and R11). The managers' experience is that slack grows into the organization almost automatically and that it is related to environmental changes (R2, R8), alterations in policy priorities (R4), new insights in running an organization (R1, R4) and changes related to IT (R1, R5).

4.2.1 Financial slack (FS). The interviews show that FS is a familiar term. According to the participants in the focus group, FS refers to spare budget capacity that is created more or less intentionally to secure resources for dealing with unexpected setbacks. The evidence does not provide an unambiguous picture of the value of slack. Some respondents (e.g. R12, R3 and R4) almost routinely related FS with NPM and the associated perspective that slack is bad and should be avoided at all costs. Other managers (e.g. R2, R4 and R8) are critical of, even condemn, the negative connotation of FS and suggest that FS is not about cash that is withheld secretly from the politicians but about budgets that stimulate the recognition and appreciation of emergent possibilities.

But despite the city managers' personal perception of FS or their motivations to create it, the evidence demonstrates that the presence of FS for innovation – comparable to R&D budgets in private sector firms – is highly unlikely. The data (e.g. R1, R3 and R12) show that in austere times, but also in prosperous times, free-to-spend budgets will always be claimed by the politicians for specific purposes. In the words of one manager:

> The existence of unallocated funds in the municipal budget is illusory. It will always be amended by city council. For politicians, such money feels like play money. […] And you know the outcome when the politicians have to choose between allowing such a budget and closing the local food bank. (R1)

The quotation shows that available FS is highly unlikely in municipalities. There is, however, ample evidence (e.g. R4, R11, R1, R4 and R7) that proves that budgets for innovation have been recovered from the organization. Sometimes these interventions to create FS were transparent and aimed at rationalizing decision making. Some managers, for instance, used business cases to persuade politicians to reconsider earmarked budgets for investments in innovation projects or applied zero based budgeting to better justify spending; surpluses were used for alternative spending, including innovation. More often, however, these actions were less transparent and evolved in the managerial domain. This was the case, for instance, when unforeseen surpluses were used to cover prioritized innovation projects, when revenue growth was not shared directly with the politicians and the extra revenues were spent on the development of new ideas, and when austerity yielded more than agreed and the surplus was invested in the implementation of original ideas. The practices demonstrate that financial scarcity and the nonexistence of free-to-spend budgets have not been an obstacle to proceeding with innovation.

4.2.2 HR slack (HRS). The interviews show that the respondents are also familiar with the personnel aspects of slack. According to the participants in the focus group, HRS refers to the availability of surplus coworkers. Many cases (e.g. R12, R11, R9, R7 and R8) illustrate that the pressure on the work force increased as a result of the GFC. On the one hand this was caused by the termination of fixed contracts: fewer people were available to sustain routine operations. On the other hand, the work pressure increased because a growing group of coworkers was involved in the exploration of new ideas while at the same time they had to carry out their regular jobs. The evidence (e.g. R4, R7, R8 and R9) also confirms that coworkers find it difficult to quit with certain tasks, at the moment they receive new tasks. In the words of one respondent:

> People were always running. When I asked them "Can you help me with something?" then the answer always was "I am so busy" or "I don't have the time to do that". And when I told them that they needed to reprioritize their work, they would answer "I don't know what I have to reprioritize". Very childish maybe, but sometimes I literally sat down with people to identify irrelevant tasks. But even when such tasks were identified, people would still say "I actually don't want to quit those tasks. (R9)

The quotation clarifies that individuals find it difficult to reduce their own work load, even if they agree on the irrelevance of some activities. More generally, it illustrates

that the coworkers' inability to axe pointless tasks is a persistent problem for managers who want to deploy their staff as productive as possible for achieving the various organizational goals.

Ample evidence (e.g. R4, R2, R9, R8 and R11), however, demonstrates that there are definitely possibilities to deploy staff in austere times to facilitate innovation. Sometimes the managers' actions focused on the organizational level and the use of strategic HR planning. The managers focused, for instance, on the redeployment of staff that was redundant in one part of the organization but employable in other parts – this enabled the participation of particular people in prioritized projects – or the use of employee development funds for the broader development of the organization. But their activities to create HRS also focused on the sub levels. Typical actions include the termination of "project tourism" – which referred to the identification of project staff above what is operationally required to stimulate valuable deployment elsewhere – or the termination of irrelevant activities that nobody has asked for. The evidence demonstrates that, despite the lack of HRS, managers had sufficient opportunities to reshuffle tasks within a team, and to deploy staff for the exploration of innovative ideas.

4.3 Exploring alternative types of organizational slack

The second analysis focused on uncovering alternative types of slack. These have been unaddressed in the literature but the practices might reveal other types of slack that have proven to be beneficial for innovation.

4.3.1 Identifying the cultural, social and individual dimensions of slack. As already mentioned, the respondents experienced no problems with identifying the two archetypical types of slack. Interesting, however, is that the vast majority highlighted alternative dimensions. First, these alternative dimensions concerned cultural aspects. This was the case, for instance, when respondents (e.g. R6, R12, R4 and R1) emphasized the importance of the organizational climate. In their experiences, the likelihood of innovation proportionally increases with an increase in the number of institutions – whether these are rules, norms or beliefs – that stimulate creativity and experimentation. Second, the alternative dimensions concerned the social aspects. This was the case, for instance, when respondents (e.g. R3, R4 and R10) addressed the density of the network in which people operate. In their experience, coworkers who invested seriously in establishing an unusually large network – which exceeded the typical contacts and professional connections that were needed for the coworker's operational output – were more successful in gaining support for their ideas and in introducing external innovations in their workplace. Third, and far most important, the managers introduced the individual aspects. This was the case, for instance, when managers (e.g. R1, R2, R3, R4, R5, R6, R7, R9 and R11) emphasized the psychological characteristics of coworkers, and referred to unused space in their minds (R2, R11), their ability to redirect "brain capacity" to new activities (R5), and their level of comfort to operate in uncertain environments (R5, R8, R11 and R12). In the words of two managers:

> It [innovation] is not about money or people. It is about the mentality of coworkers. It is about space in their minds. Innovation is not likely to increase when you give people free time. The Google hours so to say. I've never experienced the value of that. Why do breakthrough ideas always come from the same people, who are often the busiest of all? (R2)

> Money is not interesting really. It is a lubricant and you need some of it in order to get things done. But I have never talked so little about money as the last few years. Because my experience has taught me that what is needed are other things. (R11)

The quotations clarify the importance of a coworker's mental leeway for the practicing of innovation. They reflect the managers' experiences that innovation is not so much served by slack in terms of free-to-spend budgets or deployable staff, but by the degree to which individuals have free space in their minds. Given the convincing evidence from the 12 practices that the individual dimensions of slack were crucial for innovation, and given subsequent focus group insights on these individual dimensions (seen as psychological dimensions), the individual dimension was turned into a third type of organizational slack, which was specified as "psychological slack (PS)."

4.3.2 Operationalizing psychological slack (PS). When asked to operationalize PS, the managers in the focus group (R1, R2, R3, R4, R5 and R7) drew a comparison with FS and HRS, and stated that PS can be considered as "unused psychological capacity that individuals can influence and redistribute for alternative purposes without affecting their operational output." PS thus refers to the presence and availability of the idle mental capacity of individuals, which is also referred to as "free head space," "untouched brain capacity" and "mental leeway." This means that – in contrast to FS and HRS which are both measured at the organizational level – PS captures the extent to which an individual has excess resources that can be marshaled to meet contingencies. Although the evidence (e.g. R2, R4 and R10) demonstrates that it is certainly possible to increase the level of PS, this paper argues that organizations cannot only increase their total level of PS by managing the mentality of current coworkers (see section 4.4), but also by recruiting and appointing new coworkers that already possess certain levels of PS.

The intangible character of PS makes it difficult to subtract concrete indicators from the interviews. Instead, this paper used the interviews to uncover the particular behavior of individuals who according to the city managers possess PS. Three types of behavior emerge from the practices. First, according to the managers, "PS-rich" coworkers are better than others able to translate clues in the environment to their daily routines (e.g. R2, R9 and R10). As one manager argued:

> You need such employees who work for the people of the city. Who can look at their own work from the societal issues they are contributing to. As soon as the external circumstances or the value proposition changed, they were the ones who reconsidered their work. They were the ones who started doing things differently. (R2)

The quotation illustrates the importance of the coworkers' ability to redistribute their attention to the underlying intention of their work. The evidence provides a number of examples (e.g. R2, R1 and R3) in which routines or products have been adjusted as a result of such reorientation. This was the case, for instance, when a municipality changed its routines of reclaiming undeserved benefits. Rather than recklessly and suddenly retrieving the amount due (which was instigated by financial and legal logics), the concerned household was contacted to explain what happened and to negotiate a payment arrangement. By placing oneself in the perspective of the household and the underlying intentions of the benefits system, the coworker prevented the household from financial problems without breaking the sustainability and solidarity of the overall system.

Second, PS-rich coworkers appear to be better able to think outside of the box. The respondents (e.g. R4, R2 and R11) sketch an image of brave coworkers with enquiring minds who relax at the end of uncertainty, who operate on the edge of what is allowed, who take the freedom to move toward original directions and who think in chances and possibilities rather than misery and negativity. This was the case, for instance, when one coworker introduced the lean six sigma methodology to systematically increase the performance of a municipality. The evidence illustrates that this generated a lot of resistance from the people in the organization. Nobody wanted to work with the methodology, people felt threatened by it and the coworker who introduced it was often

ignored by her colleagues. But her abilities to operate under these daunting conditions have had an effect. Eventually, the resistance decreased, people began to see the value of the methodology and the desired innovations and savings became apparent.

Third, PS-rich coworkers appear to be good at the identification of those elements of their work that distract from value creation and causes energy to flow away. Respondents (e.g. R11, R9 and R4) explain that this was the case, for instance, when coworkers kept pushing for the best solution while basic quality solutions were also accepted, or when they continued to muddle through with unclear projects that nobody was waiting. In their experience, innovation flourished when coworkers were able to axe pointless tasks leaving them with time to start up new activities.

4.4 Building slack for innovation amidst crisis

The final analysis focused on the actions by which the managers have built slack for innovation while dealing with the GFC. As described in section 4.2, a myriad of actions have emerged from the interviews that deal with the creation of FS and HRS during austerity. Stimulated by the uncovering of a third type of slack and its demonstrated relevance for innovation, this study was especially interested in the activation of PS. The evidence shows that the ways to create PS, and the extent to which it is improved, vary from city to city. Nevertheless, the cases reveal at least five different ways to activate PS.

4.4.1 The managers ensured that individuals were involved in meaningful work. According to several managers (e.g. R1, R2, R4 and R10), the most important way to create PS is to ensure that individuals are involved in meaningful work. They found that coworkers who believed in their work to be relevant and important for the public, were much more motivated to perform their tasks properly and were more open to reconsidering procedures if this resulted in higher value creation. The participants of the group interview (R1, R2, R3, R4, R5 and R7) concluded that, in their experience, the best way to achieve this is by creating a convincing "frame" that connects societal changes, political ambitions and organizational output. They argue that this is not a political interpretation, but an inclusive frame that clarifies the relationships between local government and society, outlines the future administration and sets direction. They found that such a frame ensured that individuals understood what was happening and signed up to participate. In the words of one manager:

> A convincing frame unblocks the minds of people. In our city, it motivated individuals to conceive austerity differently; they recognized that austerity also provided them with new opportunities to organize their work in a better way. […] They became enthusiastic about the proposed avenues of change. (R4)

The quotation articulates the importance of explaining to the coworkers not only the necessity of austerity, but also its chances to improve public service, and the relevance of their work. The contents and substance of the managers' frames were comparable, although there were local nuances. The respondents indicate that these differences were necessary to create a frame that fits with the local context; that aligns the language and metaphors with the local societal and administrative culture. The evidence proves that sometimes these frames break with previous thinking (e.g. R4, R2 and R8) whereas in other cases they build on it (e.g. R7).

4.4.2 The managers appreciated creativity and failure. Another way to activate the inner agility of individuals is to appreciate creativity and failure as part of the process to move forward. Many respondents (e.g. R2, R7, R8 and R11) have experienced that the mental leeway increased when coworkers sensed that the leadership appreciated original interventions and tolerated failures. Encouraging deviant behavior was not easy in a climate

that naturally focuses on risk aversion. But the practices confirm that there have been ways to improve the climate, for instance, by aligning expectations with the involved actors. In the words of one manager:

> If you want to innovate, you have start with finding agreement on the codes of innovation. One of these codes is that innovation can also fail. Everyone has to understand that from the beginning. Innovating along the line of success is impossible. (R11)

Managers stimulated original thinking by introducing new language. The respondents agree that discursive interventions have had an important function. The selection of appropriate language, however, appeared difficult and contingent. For instance, where some managers (e.g. R4, R6) introduced specific rhetoric – such as craftsmanship – to emphasize the professionality and skillset of coworkers, others (e.g. R2) deliberately moved away from such terms because they found that this stimulated the individuals to engage in passivity and revert to the things they had learned in the past. While what was necessary were coworkers with an open mind and a fresh perspective on the future.

4.4.3 The managers encouraged that the work of individuals fitted with their personal motivations. A third strategy to create PS is by ensuring that coworkers are happy, and work on things that personally matter to them. Numerous respondents (e.g. R3, R5, R9 and R10) argue that the mindset of coworkers improved when they were intrinsically motivated and energized by their work. The city managers stimulated this, for instance, by using introspective self-report questionnaires to uncover psychological preferences of individuals. This helped them to appoint managers on specific positions, point staff to suitable jobs and inform strategic recruitment.

4.4.4 The managers created a climate of respect and mutual trust. A fourth way to create PS is by stimulating a climate of respect and mutual trust. It becomes clear from the interviews (e.g. R7, R10, R11 and R12) that the mental leeway of individuals improved when they maintained meaningful relationships with internal and external stakeholders; when they knew each other, valued and supported each other's work, trusted each other. The managers used several interventions to improve the quality of relationships. For instance, they stimulated coworkers to connect with frontrunners, to operate in unexplored networks, to look beyond the boundaries of the own organization. They also invested in the quality of the relationship with the politicians. In the words of one city manager:

> Trust is crucial. The politicians must have the idea that you are working for them. And for the people in the city. Only until they trust you, you can proceed with uncertain projects. (R7)

4.4.5 The managers recognized and celebrated positive matters. A fifth way to create PS is by recognizing and celebrating positive matters. Some respondents (e.g. R2, R4 and R10) argue that the mentality changed when coworkers experienced positive matters while operating in a negative context. The managers used several interventions to stimulate pride, happiness and job satisfaction among coworkers. For instance, by recognizing and rewarding best practices and best failures of innovation. The evidence shows that it is important that the municipality is recognized by others as being innovative. This stimulated coworkers to get involved and offered the opportunity to position politicians in a positive way.

5. Discussion

This paper addresses a major strategic tension, i.e., building slack in the midst of crisis. The evidence reaffirms the importance of slack for innovation (cf. Bourgeois, 1981; Herold *et al.*, 2006) and confirms that the pressure to maintain slack increases during austerity (cf. Pollitt, 2010; Cepiku and Savignon, 2012). The aim of this paper was to identify the "right type" of slack for innovation. Two expectations were formulated and tested.

The financial expectation suggested that the key focus of city managers would be on creating FS because monetary buffers enabled the hiring of experts for innovation projects and protected the organization from the uncertain success of such projects. The evidence does not confirm this expectation. It shows that unallocated budgets in public organizations are highly unlikely, in times of austerity but also in prosperous times. Although several ways have been identified to divert resources for innovation, the evidence shows that managers have focused on other things to foster innovation. The HR expectation suggested that the key focus of city managers would be on creating HRS because spare staff capacity provided the organization with personnel time and skills to develop innovative solutions. The evidence does not confirm this expectation either. Although the data demonstrate that the work pressure increased and that city managers have redeployed staff within the organization, no evidence was found that indicates the maintaining or increasing of the work force. Instead of organizing and enhancing staff capacity, the city managers have focused on other things to ensure that the right resources were present in the innovation projects.

The main finding of this paper is that innovation does not benefit from slack in general, but from specific types of slack. Informed by the descriptions and practices of 12 experienced city managers, it finds that useful slack for innovation is not so much about financial slack or HRS, but about PS. The practices demonstrate that, in large municipalities, money for prioritized policy and projects – including innovation – is always recoverable. They also prove that the participation of particular people in such projects can almost always be organized, even under dire circumstances. The evidence shows that instead of money or people, unused mental capacity is crucial for innovation. This study adds to the literature that the key questions of slack research should not only focus on identifying the "right amount" of slack (cf. Nohria and Gulati, 1996) but also on identifying the "right type" of slack.

Although this paper acknowledges the difficulties of operationalizing PS, it diverges from conventional views (especially Sharfman *et al.*, 1988) which argue that slack refers to physical entities and that these entities must be differentiated from more intangible buffers. On the contrary, based on the findings it advocates the amalgamation of the psychical and psychological aspects of slack. The papers argue that the value of scholarly work will increase if researchers include psychological criteria in their studies, in addition to conventional criteria such as cash, people, skills and machine capacity. These psychological criteria can be plausibly found in other bodies of knowledge. It is recognized, for instance, that the actions by which the city managers have created PS, largely resemble the key components of "positive psychology": positive emotions, engagement, relationships, meaning and accomplishment (Seligman and Csikszentmihalyi, 2014). Indeed, the practices show that the managers have put much effort in guaranteeing that their coworkers felt good and recognized the positive aspects of their work which took place in a rather pessimistic environment (positive emotions), that they found enjoyment in their work although this work often changed as a consequence of the GFC (engagement), that they operated in a climate of respect and mutual trust which allowed them to take risks and experiments (relationships), that they had a purposeful existence and felt that they were working for the people in the city (meaning), and that they had a sense of achievement even if experiments failed (accomplishment).

This paper invites future researchers to take advantage of the fruitful insights of these and other psychologists to measure fuzzy concepts and to operationalize PS to make it suitable for empirical investigation. Sivanathan *et al.* (2004), for instance, discuss that the literature provides sufficient material to assess positive psychology at work. Typically, these indicators refer to the well-being and psychological health of coworkers. They argue that job-related well-being can be measured by three different aspects: happiness, comfort,

and enthusiasm (Sivanathan *et al.*, 2004). But also other potential criteria are available in the literature, such as, self-regard, perceived competence, aspiration, autonomy and integrated functioning (Warr, 1987). This paper proposes that the suggested criteria for mental health set direction for the development of PS indicators in the future. Future research might also concentrate on the relationship between the three types of slack. For instance, despite the demonstrated importance of PS, some financial and personnel resources are necessary by any means to measure and improve the mental leeway of coworkers.

Obviously, there are drawbacks to this study. First, our findings are restricted to the personal experiences of one type of actor (city managers) in a limited sample of specific public organizations (12 municipalities). Second, this paper explores the value of organizational slack for innovation only by using qualitative data; it lacks attention for the measurement of actual levels of slack and innovation. Although the results of this paper might be unsuitable to make sweeping generalizations, it argues that these deficiencies are not a problem because the aim was not to demonstrate a causal relationship between slack and innovation but to identify how certain public managers conceive slack and its value for innovations, and how they have created the "right type" of slack while dealing with fiscal stress.

6. Conclusion

It is argued that environmental change is the one constant in the organizational life of today's governments (Sarros *et al.*, 2008). For municipalities to flourish in these volatile and uncertain climates, they have to able to adapt to contingencies. Especially when it comes to financial, economic or fiscal crises, solutions are often sought in obvious directions. Recent financial management literature, for instance, has argued that the best ways to prepare for new crises are the establishment of financial buffers to protect organizations from future drops in revenue (Zhang, 2015; see also Barbera *et al.*, 2016) and the improvement of forecasting mechanisms for predicting financial crises (Trussel and Patrick, 2013).

Informed by the evidence in Dutch municipalities, however, this paper argues that improving the capacity to recover from crises requires a focus on alternative dimensions and perspectives. It argues that these can plausibly be found in other bodies of literature, for instance in the fields of psychology and social science. It concludes that increasing the ability of municipalities to deal with future (fiscal) crises is not only a matter of allowing financial cushions or superfluous staff, but also and maybe more importantly of increasing the mental leeway of coworkers. Recognizing the psychological dimensions of slack is not only theoretically important, but also of great significance for practice. Managers who want to overcome crises more innovatively might reconsider their perceptions of slack. Rather than operating on a pure cost effectiveness paradigm, they should balance the costs of slack and its innovative abilities. This paper shows that without PS the chances of successful innovation are unlikely.

Note

1. Due to elections, the City of Leeuwarden was unable to participate in this research.

References

Barbera, C., Guarini, E. and Steccolini, I. (2016), "Italian Municipalities and the fiscal crisis: four strategies for muddling through", *Financial Accountability & Management*, Vol. 32 No. 3, pp. 335-361.

Bourgeois, L.J. (1981), "On the measurement of organizational slack", *Academy of Management Review*, Vol. 6 No. 1, pp. 29-39.

Cepiku, D. and Savignon, A.B. (2012), "Governing cutback management: is there a global strategy for public administrations?", *International Journal of Public Sector Management*, Vol. 25 Nos 6/7, pp. 428-436.

Chen, C.J. and Huang, Y.F. (2010), "Creative workforce density, organizational slack, and innovation performance", *Journal of Business Research*, Vol. 63 No. 4, pp. 411-417.

Child, J. (1972), "Organizational structure, environment, and performance: the role of strategic choice", *Sociology*, Vol. 6 No. 1, pp. 2-22.

Cyert, R.M. and March, J.G. (1963), *A Behavioral Theory of the Firm*, Prentice Hall, Englewood Cliffs, NJ, pp. 169-187.

Daniel, F., Lohrke, F.T., Fornaciari, C.J. and Turner, R.A. Jr (2004), "Slack resources and firm performance: a meta-analysis", *Journal of Business Research*, Vol. 57 No. 6, pp. 565-574.

Denhardt, J. and Denhardt, R. (2010), "Building organizational resilience and adaptive management", in Reich, J.W., Zautra, A.J. and Hall., J.S. (Eds), *Handbook of Adult Resilience*, Guilford Press, New York, NY, pp. 333-349.

De Vries, H., Bekkers, V. and Tummers, L. (2016), "Innovation in the public sector: a systematic review and future research agenda", *Public Administration*, Vol. 94 No. 1, pp. 146-166.

Diefenbach, T. (2009), "New public management in public sector organizations: the dark sides of managerialistic 'enlightenment' ", *Public Administration*, Vol. 87 No. 4, pp. 892-909.

Dunsire, A. and Hood, C. (1989), *Cutback Management in Public Bureaucracies: Popular Theories and Observed Outcomes in Whitehall*, Cambridge University Press, Cambridge.

Forte, M., Hoffman, J.J., Lamont, B.T. and Brockmann, E.N. (2000), "Organizational form and environment: an analysis of between-form and within-form responses to environmental change", *Strategic Management Journal*, Vol. 21 No. 7, pp. 753-773.

George, G. (2005), "Slack resources and the performance of privately held firms", *Academy of Management Journal*, Vol. 48 No. 4, pp. 661-676.

Good, D.A. (2014), *The Politics of Public Money*, University of Toronto Press, Toronto.

Hamel, G. and Valikangas, L. (2003), "Why resilience matters", *Harvard Business Review*, Vol. 81 No. 9, pp. 56-57.

Herold, D.M., Jayaraman, N. and Narayanaswamy, C.R. (2006), "What is the relationship between organizational slack and innovation?", *Journal of Managerial Issues*, Vol. 18 No. 3, pp. 372-392.

Hood, C. (1991), "A public management for all seasons?", *Public Administration*, Vol. 69 No. 1, pp. 3-19.

Huang, Y.F. and Chen, C.J. (2010), "The impact of technological diversity and organizational slack on innovation", *Technovation*, Vol. 30 Nos 7-8, pp. 420-428.

Jensen, M.C. (1993), "The modern industrial revolution, exit, and the failure of internal control systems", *Journal of Finance*, Vol. 48 No. 3, pp. 831-880.

Jimenez, B.S. (2014), "Smart cuts? Strategic planning, performance management and budget cutting in US cities during the great recession", *Journal of Public Budgeting, Accounting & Financial Management*, Vol. 26 No. 3, pp. 494-526.

Kelly, J. and Wanna, J. (2000), "New public management and the politics of government budgeting", *International Public Management Review*, Vol. 1 No. 1, pp. 33-55.

Kiefer, T., Hartley, J., Conway, N. and Briner, R.B. (2014), "Feeling the squeeze: public employees' experiences of cutback-and innovation-related organizational changes following a national announcement of budget reductions", *Journal of Public Administration Research and Theory*, Vol. 25 No. 4, pp. 1279-1305.

Lawson, M.B. (2001), "In praise of slack: time is of the essence", *The Academy of Management Executive*, Vol. 15 No. 3, pp. 125-135.

Lecuona, J.R. and Reitzig, M. (2014), "Knowledge worth having in 'excess': the value of tacit and firm-specific human resource slack", *Strategic Management Journal*, Vol. 35 No. 7, pp. 954-973.

Lodge, M. and Wegrich, K. (Eds) (2014), *The Problem-Solving Capacity of the Modern State: Governance Challenges and Administrative Capacities*, Oxford University Press, Oxford.

MacKinnon, J. (2008), "The politics of public money: spenders, guardians, priority setters and financial watchdogs inside the Canadian government by David A. Good", *Canadian Public Administration*, Vol. 51 No. 2, pp. 362-364.

Mishina, Y., Pollock, T.G. and Porac, J.F. (2004), "Are more resources always better for growth? Resource stickiness in market and product expansion", *Strategic Management Journal*, Vol. 25 No. 12, pp. 1179-1197.

Moynihan, D.P. and Landuyt, N. (2009), "How do public organizations learn? Bridging cultural and structural perspectives", *Public Administration Review*, Vol. 69 No. 6, pp. 1097-1105.

Näslund, B. (1964), "Organizational slack", *Ekonomisk Tidskrift*, Vol. 66 No. 1, pp. 26-31.

Niskanen, W.A. (1994), *Bureaucracy and Public Economics*, Edward Elgar, Brookfield, WI.

Nohria, N. and Gulati, R. (1996), "Is slack good or bad for innovation?", *Academy of Management Journal*, Vol. 39 No. 5, pp. 1245-1264.

Overmans, J.F.A. (2017), "Financial resilience: how Dutch cities have buffered and adapted to the financial crisis", in Steccolini, I., Jones, M. and Saliterer, I. (Eds), *Governmental Financial Resilience: International Perspectives on How Local Governments Face Austerity*, Emerald Publishing Limited, Bingley, pp. 173-186.

Overmans, J.F.A. and Noordegraaf, M. (2014), "Managing austerity: rhetorical and real responses to fiscal stress in local government", *Public Money and Management*, Vol. 34 No. 2, pp. 99-106.

Pollitt, C. (2010), "Cuts and reforms – public services as we move into a new era", *Society and Economy*, Vol. 32 No. 1, pp. 17-31.

Pollitt, C., Thiel, S.V. and Homburg, V. (Eds) (2007), *New Public Management in Europe*, Palgrave Macmillan, Basingstoke.

Raudla, R., Savi, R. and Randma-Liiv, T. (2015), "Cutback management literature in the 1970s and 1980s: taking stock", *International Review of Administrative Sciences*, Vol. 81 No. 3, pp. 433-456.

Rhodes, R.A.W., t Hart, P. and Noordegraaf, M. (2007), *Observing Government Elites: Up Close and Personal*, Palgrave Macmillan, Melbourne.

Sarros, J.C., Cooper, B.K. and Santora, J.C. (2008), "Building a climate for innovation through transformational leadership and organizational culture", *Journal of Leadership and Organizational Studies*, Vol. 15 No. 2, pp. 145-158.

Schein, E.H. (1997), *Organizational Culture and Leadership*, 2nd ed., Jossey-Bass, San Francisco, CA.

Seligman, M.E. and Csikszentmihalyi, M. (2014), "Positive psychology: an introduction", in Csikszentmihalyi, M. (Ed.), *In Flow and the Foundations of Positive Psychology*, Springer, New York, NY, pp. 279-298.

Senge, P.M. (1990), *The Fifth Discipline: The Art and Practice of the Learning Organization*, Currency/Doubleday, New York, NY.

Sgourev, S.V. and Van Lent, W. (2017), "When too many are not enough: human resource slack and performance at the Dutch East India Company (1700–1795)", *Human Relations*, Vol. 70 No. 11, pp. 1293-1315.

Sharfman, M.P., Wolf, G., Chase, R.B. and Tansik, D.A. (1988), "Antecedents of organizational slack", *Academy of Management Review*, Vol. 13 No. 4, pp. 601-614.

Sivanathan, N., Arnold, K.A., Turner, N. and Barling, J. (2004), "Leading well: transformational leadership and well-being", in Linley, P.A. and Joseph, S. (Eds), *Positive Psychology in Practice*, Wiley & Sons, Hoboken, NJ, pp. 241-255.

Trussel, J.M. and Patrick, P.A. (2013), "Predicting fiscal distress in special district governments", *Journal of Public Budgeting, Accounting & Financial Management*, Vol. 25 No. 4, pp. 589-616.

Uzzi, B. (1999), "Embeddedness in the making of financial capital: how social relations and networks benefit firms seeking financing", *American Sociological Review*, Vol. 64 No. 4, pp. 481-505.

Warr, P.B. (1987), *Work, Unemployment, and Mental Health*, Oxford University Press, Oxford.

Weick, K.E. and Sutcliffe, K.M. (2007), *Managing the Unexpected: Resilient Performance in an Age of Uncertainty*, Jossey-Bass, San Francisco, CA.

Welbourne, T.M., Neck, H.M. and Meyer, G.D. (1999), "Human resource slack and venture growth: an exploratory analysis of growing employees at a faster rate than sales", in Reynolds, P.D., Bygrave, W.D., Manigart, S., Mason, C.M., Meyer, G.D., Sapienza, H.J. and Shaver, K.G. (Eds), *Frontiers of Entrepreneurship Research*, Babson College, Babson Park, MA, pp. 480-490.

West, J.P. and Condrey, S.E. (2011), "Municipal government strategies for controlling personnel costs during the fiscal storm", *Journal of Public Budgeting, Accounting & Financial Management*, Vol. 23 No. 3, pp. 395-426.

Wildavsky, A.B. (1964), "Politics of the budgetary process", Little, Brown & Co.

Wildavsky, A.B. (1988), *Searching for Safety*, Vol. 10, Transaction Publishers, New York, NY.

Zhang, P. (2015), "Facing fiscal crisis: managing counter-cyclical debt financing of the state and local governments", *Journal of Public Budgeting, Accounting & Financial Management*, Vol. 27 No. 4, pp. 523-545.

Corresponding author
Tom Overmans can be contacted at: j.f.a.overmans@uu.nl