The Quest for Enterprise Resilience: Navigating Complex Systems to Survive and Thrive[i]

Charley Newnham[1] and James Crask[1]

[1]PwC

Contact: charley.newnham@uk.pwc.com

Keywords: Organizational resilience, Enterprise resilience, Complex systems, Continuity, Sustainability

What is Organizational resilience and why does it matter?

The concept of 'Organizational' resilience is not new. Academic research goes back a long way, though many modern researchers point towards pivotal articles such as Hamel and Valikangas' *The Quest for Resilience* (2003) as 'game changers'.

British Standard 65000, guidance for Organizational Resilience (BSI, 2014) intends to deliver a practical approach to creating suitably resilient organisations which may be, according to Hamel (2012), "*the most fundamental business challenge of our time*". It defines Organizational resilience as the "*ability of an organization to anticipate, prepare for, and respond and adapt to incremental change and sudden disruptions in order to survive and prosper*" (BSI, 2014). This definition captures some essential resilience components that can be missing from less complex definitions, that is, those that simply talk about the ability to '*bounce back from adversity*'. The Standard's definition acknowledges while organisations have to be able to deal with sudden shocks they also have to be able to adapt over time to survive and thrive.

That more resilient organisations require the ability to evolve substantially over time (Morel & Ramanujam, 1999) is not new information for leaders. It is common sense that companies must remain relevant to remain viable, as well as being able to respond to sudden disruptions – and opportunities. In 2015, PwC researchers found that "*25% of respondents believed that their organisations would always deliver the same core services",* while only 38% were sure that their organisations would be able to evolve to remain relevant. Further, 42% believed their organisations would definitely continue to exist for decades to come and only 22% believed their organisation was equipped to survive disruptions and major incidents (PwC & London First, 2016).

So what is the role of governance in resilience? Carmelli & Markham (2011) remind us that from the Christian church to the Roman Empire to modern day business, research shows that great governance is "*essential for resilience*". The question is: how can we leverage our approach to governance today to achieve appropriate resilience to ensure our organisations stand the test of time?

---

[i] This paper is part of the IRGC Resource Guide on Resilience, available at: https://www.irgc.org/risk-governance/resilience/. Please cite like a book chapter including the following information: IRGC (2016). Resource Guide on Resilience. Lausanne: EPFL International Risk Governance Center. *v29-07-2016*

Is managing resilience really any different to managing risk?

Risk leaders often ask whether "organizational resilience" is just a new spin on risk management. We suggest that risk and opportunity management are two sides of the same coin, but they are facilitated by resilience where resilience is the sum of the factors that support the identification and management of risk and opportunity throughout every activity in the business.

In this sense potential resilience contributors and detractors include functions and processes primarily designed to offer Organizational protection, such as risk management, business continuity, and security, but also include less tangible elements such as an organisation's strategies, culture, approach to innovation, social capital, capability and capacity, reserves, and its potential to adapt and evolve over time. In our opinion this broader view does not replace the requirement to manage risk but simply highlights the need to consider, understand and invest appropriately in all the factors that provide the organisation's ability to survive and thrive. Risk and opportunity may be two sides of the same coin, but resilience completes the trinity required to understand and manage 'corporate health'.

In addition, talking about resilience presents an opportunity to recognise that operating environments, people, suppliers, divisions, functions and other factors that create organizational structures are complex systems within complex systems – which are difficult to understand and to manage, and marked by uncertainties and unexpected changes. Traditional approaches to risk management (as a discipline rather than an activity) calls for the simplification of risk to a point where they can be quantified and recorded: this will always be a vital management tool. However, resilience provides an opportunity for us to acknowledge that the things contributing to success and failure are both complex and dynamic. This implies we either need to apply systems theory concepts to Organizational resilience, or find ways to cut through the systems to create an indicative view of how adequate our resilience might be, without losing sight of its complex, dynamic nature.

Where should resilience builders start?

Most organisations have already begun their resilience journey. Most have a degree of risk management, business continuity, security and the other disciplines and processes that exist to protect the organisation and its key stakeholders. These are sometimes referred to collectively as 'operational resilience disciplines'. In 2015 a survey showed that 90% of leaders believe that resilience is greater when the activity of these disciplines is appropriately joined up, but only 37% believe that it is (PwC & London First, 2016). Taking the issue of disjointedness further, many organisations suffer from unhelpful disconnections and gaps between entities, areas of the business, processes and assets. Some of these are vulnerabilities that can lead to severe disruption or unclaimed opportunities.

Therefore, the first instruments for managing resilience on many leaders' list may be to:

- Ensure that operational disciplines are effective and appropriately joined up
- Remove unhelpful silos that create vulnerability or reduce opportunity, and test critical processes and systems from end-to-end

Leaders then need to consider how to see and manage the less tangible aspects of their organisation's resilience. While systems theory might be the utopia of understanding and managing resilience, creating and keeping up with the volumes of information that could be generated presents practical challenges. Therefore, researchers have focussed their endeavours to create insights into the key indicators that identify an organisation's state of resilience: "*a set of generalizable insights for building social, economic, technical and business systems that anticipate disruption, heal themselves when breached, and have the ability to reorganize themselves to maintain their core purpose, even under radically changed circumstances.*" (Zolli & Healy, 2012)

Resilience indicators

Though the field of Organizational resilience is relatively new in terms of being practically applied within business, there are many resources (including those in the attached Bibliography) to guide leaders in identifying the key resilience indicators for their organisation to provide insight into the state of their resilience. These indicators, when combined with their current knowledge of the business, including risk, sales and financial data – have the advantage appreciating an organisation as a complex system, operating within a wider, more complex set of systems. The insights the indicators provide give leaders new ways to consider where they might amend their resilience. No longer limited to traditional risk management methods, their approach can be complemented with an ability to look at different, often more strategic and almost always less silo-based ways to mitigate risk and create the optimal conditions for creating and seizing opportunity.

As Zolli & Healey (2012) identified there is an increasing consensus on some key indicators. For example, the resilience research institute ResOrgs cites headline indicators of situational awareness, innovation and creativity, proactive posture, stress tested strategies, unity of purpose, broken silos, leveraged knowledge, understanding of internal resources, effective partnership, decision making and staff engagement (ResOrgs, 2011). Meanwhile, professional services organisations such as PwC find innovative ways to visually display their indicators. The 'periodic table' is one example and houses key indicators – including those cited by ResOrgs – expanding to include others informed by research and experience. It includes indicators such as lived values, situational understanding, social capital, understanding of networks, leadership and decision making and capability and capacity (PwC, 2015).

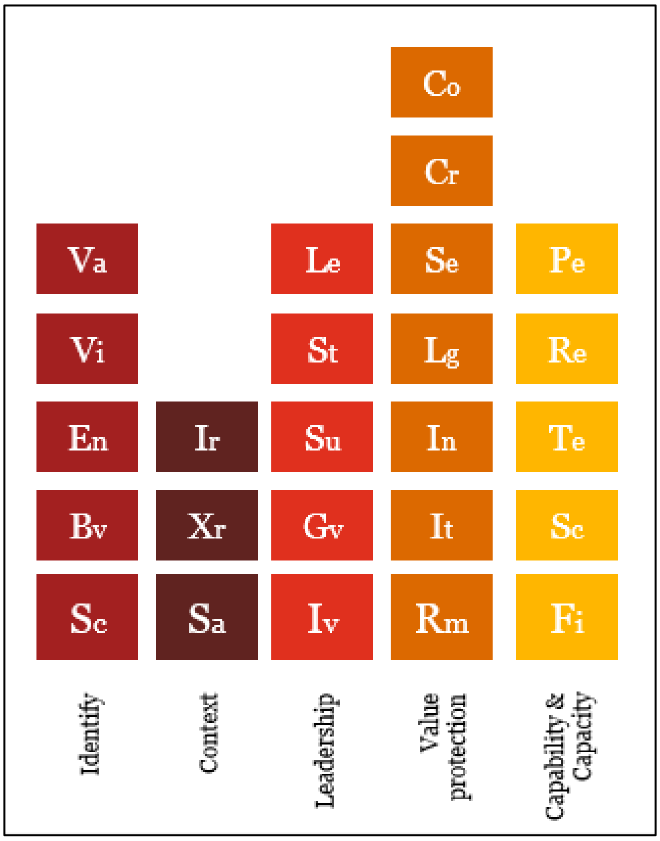

Figure 1: PwC 'Periodic Table of Resilience Indicators'

When thinking about the practical implementation of resilience, research tends to map indicators to "resilience outcomes" that leaders recognise as features of a more resilient organisation. These can help bring the resilience of the organisation to life. For example, PwC, uses 6 resilience outcome states to talk about resilience with top leaders: cohesiveness, adaptive capacity, reliability, relevance, agility and trust (PwC, 2015), while Airmic focuses on six verbs: predict, prevent, prepare, respond, recover, review (Cranfield School of Management, 2014).

The anticipated International Standard for Organizational Resilience, ISO 22316, intends to offer universal insights into how key indicators might be assessed. In the interim each model tends to use its own approach and, in most cases, anticipate the need to customise the indicators, the weightings of the measurements and the resulting insight to fit an organisation's individual features and 'personality'.

Bibliography

These references provide practical views on what makes companies more or less resilient and inspired the authors to think bigger than 'just risk management'.

Beer, M. (2009). *High Commitment High Performance.* Jossey-Bass.

BSI. (2014). *BS 65000 Standard guidance for Organizational Resilience.* London: British Standards Institute.

Carmelli, A., & Markham, G. D. (2011, March). Capture, Governance and Resilience: Strategy Implications from the history of Rome. *Strategic Management Journal*, 322-41.

Comfort, L. K., Boin, A., & Demchak, C. C. (2010). *Designing Resilence.* Pittsburgh: University of Pittsburgh Press.

Cranfield School of Management. (2014). *Roads to Resilience: building dynamic approaches to risk to achieve future success.* Airmic.

Hamel, G. (2012). *What Matters Now.* USA: Jossey-Bass.

Hamel, G., & Valikangas, L. (2003). The Quest for Resilience. *Harvard Business Review*.

Morel, B., & Ramanujam, R. (1999). Through the Looking Glass of Complexity: The Dynamics of Organizations as Adaptive and Evolving Systems. *Organization Science*, 278-293.

Putnam, R. (2000). *Bowling Alone.* New York: Simon & Schuster.

PwC & London First. (2016). *Enterprise Resilience: A business imperative for an era of change.* London.

PwC. (2015). *The Art and Science of Resilience.* http://www.pwc.co.uk/governance-risk-compliance/insights/emerging-capability-every-business-needs.html.

ResOrgs. (2011). *What is resilience?* Retrieved from Resilient Organisations: http://www.resorgs.org.nz/Content/what-is-resilience.html

Zolli, A., & Healy, A. M. (2012). *Resilience: why things bounce back.* Business Plus.