ORGANISATIONAL RESILIENCE:

THE RELATIONSHIP WITH RISK RELATED CORPORATE STRATEGIES

Australian Government

Ernst & Young
Quality In Everything We Do

An analysis by Ernst & Young and the Commonwealth Attorney-General's Department

ISBN: 978-1-922032-09-6

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MINISTER'S FOREWORD

Critical infrastructure organisations are under increasing pressure to manage risks to their operations while continuing to create shareholder value and deliver essential services to their customers. Physical, legal, financial, technological and reputational risks all need to be identified, constantly monitored and carefully managed.

Historically, organisations have tended to choose from a myriad of traditional corporate strategies to manage risk. But making a decision on which corporate strategies are best to implement comes with its own challenges, especially as many of these common approaches appear to offer similar outcomes. More importantly, these strategies have typically been based on an assumed ability to understand in some detail the likelihood and consequence of a risk event, but this is becoming increasingly difficult.

Globalisation, the proliferation of digital technologies, and the complexities of our modern world are contemporary challenges that are making it increasingly problematic for critical infrastructure organisations to identify and assess all reasonably foreseeable risks to their operations, ensure the continuity of essential services, and maintain the profitability of their businesses. That's why organisational resilience is a key component of the Australian Government's Critical Infrastructure Resilience (CIR) Strategy, which was developed in close consultation with the owners and operators of our critical infrastructure. Since its release in June 2010, the different initiatives under the CIR Strategy have helped business to manage risks to their operations that are both foreseeable and unforeseen or unexpected. As a result, the Strategy has assisted critical infrastructure organisations to better ensure the continued delivery of essential services like water, power, and communications on which we all depend.

An organisational resilience approach to managing risks encourages critical infrastructure businesses to develop a more organic capability to deal with unexpected disruptions to business-as-usual activity. The resilience approach also helps organisations to adapt to changes in their operating environment that occur over longer timeframes.

Understanding what organisational resilience has to offer and how it differs from more traditional corporate strategies is a necessary first step in deciding to implement this contemporary approach to boost resilience and help maintain a competitive edge and profitability.

To help deliver an enhanced understanding of organisational resilience, my Department has worked with the global consulting firm Ernst and Young to contrast the unique benefits of organisational resilience with more traditional corporate approaches. This latest work builds on the Government's previous initiatives to articulate the concept and practice of organisational resilience, which include the development and release of *Organisational Resilience: A Position Paper for Critical Infrastructure* (April 2011) and *Research Paper 1: CEO Perspectives on Organisational Resilience* (March 2012). A number of Australian critical infrastructure businesses are now leading exponents of organisational resilience, and I encourage all businesses to read *Organisational Resilience: the relationship with risk related corporate strategies*, and the Government's earlier works on this subject.

Organisational resilience can contribute to the growth and on-going viability of your organisation and, through the continued delivery of essential services to the community, help to create a more resilient society.

The Hon Mark Dreyfus QC MP

Attorney-General

1. OVERVIEW

This report seeks to identify the value of the organisational resilience approach for the management of strategic and operational risk. It aims to do this by distinguishing it from other established strategies, including management systems, commonly adopted by business for risk management and other purposes. It is principally focused on for-profit private sector organisations that face disruption risk challenges. However, the themes and concepts covered in this paper are of relevance to all organisations. While focused on the benefits for business, all Australian organisations are able to substantially benefit from an understanding of, and efforts to achieve, organisational resilience.

The report does not seek to exhaustively catalogue each available strategy, system or standard. However, to articulate the benefits of an organisational resilience approach it is useful to compare it to the strengths and limitations of some commonly adopted corporate strategies.

Three concepts of organisational resilience include ‘effective business-as-usual’ capability, ‘ability to change and adapt’, and ‘ability to shape the environment’. They have been identified through previous research commissioned by the Commonwealth Attorney-General’s Department on Australian CEO perspectives on organisational resilience. This document provides a synopsis of these three concepts and contrasts them with several common corporate strategies. It highlights key behavioural attributes of an organisational resilience approach not typically found in other strategies.

The report concludes that while established management practices are useful and support resilience, complex risk landscapes characterised by elaborate global supply chains, regulatory uncertainty, financial instability and information technology dependency require an enhanced level of organisational agility. Critically, the organisational resilience approach (which seeks to engender a more organic capacity in businesses) builds upon, and extends beyond, existing strategies for the management of unforeseen risk.

2. EXAMPLES OF EXISTING STRATEGIES AND MANAGEMENT SYSTEMS

Understanding established corporate strategies for managing risk and performance, why they exist and what they offer can help demonstrate how organisational resilience is distinct, and how it can provide additional value to Australian businesses.

Corporate strategies and management systems have historically enabled businesses to become more efficient, position themselves profitably, generate internal capabilities, and identify and mitigate various types of risk.

In today's corporate landscape there is a vast array of strategies and management systems for organisations to choose from (many of which are defined through published standards[1]). It is up to each individual business to adopt an approach appropriate for its particular circumstances. Examples include those that focus on:

- **Risk** (e.g. Risk Management and Business Continuity Management)
- **Quality** (e.g. Total Quality Management), and
- **Efficiency** (e.g. Just-In-Time).

Of the examples of management systems and approaches given, there are a range of approaches that centralise protecting the organisation (e.g. Risk Management and Business Continuity Management). There are those that focus on achieving superior performance (such as Total Quality Management), while others see risk management as a tangential or secondary objective to achieving high performance (e.g. Just-In-Time).

No organisation can achieve resilience by neglecting the performance imperative. Companies must strive to achieve sustainable profitability and appropriate levels of shareholder return. Conversely, any organisation that focuses excessively on performance at the expense of protection can become exposed to unsustainable levels of risk. The resilience approach understands that the willingness to intelligently take risks, and make agile, informed, risk based decisions is a key feature of successful and sustainable businesses.

Selected representative examples of existing corporate strategies and management systems are examined in turn, beginning with that which organisational resilience is most often compared – Business Continuity Management.

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1 For more information on what International and/or Australian standards are available, Standards Australia (www.standards.org.au) is an independent, not-for-profit organisation, recognised by the Australian Government as the peak non-government standards body in Australia.

2.1 Business Continuity Management (BCM)

Over the past decade and beyond, there has been a perceived rise in high impact, low probability events. Business Continuity Management (BCM) has proven itself in recent times as particularly relevant to these trends.

Interest in BCM has led to a proliferation of leading practices and the publication of a BCM global standard in May 2012, ISO 22301:2012 Societal Security - Business Continuity Management Systems – Requirements.

According to the standard, business continuity is the “capability of the organisation to continue delivery of its products or services at acceptable predefined levels following (a) disruptive incident”.

BCM is further defined as a “holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities”.[2]

BCM encompasses diverse (but interrelated) contingency planning elements, including Business Continuity Planning (BCP), IT Disaster Recovery Planning, Crisis Management and Emergency Management. A common feature of all these elements is a formal process for documenting response plans to deal with disruptive events. Each has matured in its own right with leading practices and standards associated with it.

BCP involves developing plans that define manual procedures (also known as ‘work-arounds’) and recovery activities to be performed when disruption occurs. Normally these plans address a range of scenarios including the disruption of key dependencies such as IT, physical premises, utilities and service providers.

Leading practice continuity planning typically features an ‘all hazards’ approach with documented procedures to deal with the temporary or permanent loss of any key dependencies upon which critical business functions rely.

Government Business Enterprises and regulated critical infrastructure providers (such as the aviation sector, bank and finance and utilities) have traditionally led the way with BCM. BCM has more recently been adopted by organisations in other sectors that recognise its value in achieving high, predictable levels of service benefiting customers and clients.

[2] International Organization for Standardization. (2012). ISO 22301:2012 Societal Security - Business Continuity Management Systems - Requirements. Geneva: ISO.

2.2 Risk Management

There are many risk-related management systems, regulatory frameworks and operational standards. Such standards include the global Risk Management standard ISO 31000:2009, itself based upon the preceding Australian and New Zealand Risk Management standard AS/NZS 4360:2004 developed in the mid-1990s.

Risk is defined as the "effect of uncertainty on objectives", while Risk Management relates to "coordinated activities to direct and control an organisation with regard to risk". It involves a process of systematically applying "management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk".[3]

People have typically relied upon a risk based approach to respond to threats in both the natural and the built environment. However, it is only over the last few decades that organisations have invested heavily in Risk Management. Before that, significant investment in this area had been limited to a handful of industries and sectors such as engineering and energy.

As markets have expanded globally and come to be characterised by increasingly advanced technology and supplier networks, organisations have grown and become vastly more complex. They have also become more vulnerable to disruption.

Dispersed global operations, significant corporate failure events, natural and man-made disasters and economic unease have all contributed to increased popularity in risk management.[4]

2.3 Total Quality Management (TQM)

TQM is a management system which focuses on the continuous improvement of products and services. It is appropriate for businesses whose long-term prosperity depends upon a continuous improvement cycle for the benefit of customers. It involves delivering high quality products and services to delight customers and drive demand.

TQM emerged after World War II when the historical undersupply in consumer markets finally ended. For the first time, the supply of mass produced goods exceeded the demand for them. TQM provided organisations with the ability to achieve a competitive edge by improving the quality of their products and services.

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3 International Organization for Standardization. (2009). ISO Guide 73:2009 Risk Management Vocabulary. Geneva: ISO.

4 Hubbard, D. W. (2009). The Failure of Risk Management: Why It's Broken and How to Fix It. Hoboken, New Jersey: John Wiley & Sons Inc.

Based on a ‘Plan-Do-Check-Act’ (PDCA) model, TQM rejects traditional planning approaches for production. It instead emphasises the autonomous efforts of individual workers and teams in producing the best quality products and services through continuous improvement. Traditional performance measures (such as worker productivity) are seen as less important. Rather, the focus is on harnessing analysis to deliver improved product and service quality through customer feedback loops, strong employee engagement, and strategic planning.

2.4 Just-in-Time (JIT)

Just-in-Time (JIT) is a management system employed to improve the efficiency of production by eliminating excess inventory and related costs. By deliberately reducing dependence on inventory stockpiles, inefficiencies in the production process are exposed. Inventories are considered a type of ‘hidden cost’. This is not only because they impose a cost burden related to storage, but also because they can hide poor quality practices.

Done properly, JIT supports a continuous improvement process. It is used typically, though not exclusively, by manufacturers and processors to improve profitability through lowering production costs. Many organisations that depend upon the movement of physical goods using a supply chain find value in adopting JIT.

Methods such as JIT represent an approach that by stripping out redundancies in the production process often eliminates inefficiencies at the expense of increased brittleness.

2.5 Further examples

There are numerous options available to organisations to help them achieve specific goals, including the following increasingly prominent methods:

- Crisis Management Plans (CMP) or Incident Management Plans (IMP) assist organisations when responding to crisis events. For example, the Australasian Inter-Service Incident Management System (AIIMS)[5] is considered good practice for managing incidents and crisis events, particularly for fire and emergency services.
- Corporate Social Responsibility (CSR) is an example of corporate self-regulation, aligning the business model to goals that emphasise accountability for the impact of actions taken on stakeholders and the broader community in which business operates. CSR encourages efforts to achieve a sustainable, positive impact through corporate activities. It provides opportunities to enhance the perception of a company’s integrity and reputation, and can help increase brand recognition.

5 Australasian Fire Authorities Council. (2005). Australasian Inter-service Incident Management System (AIIMS). Melbourne: AFAC Ltd.

- Building upon the outcome (and metrics) centric CSR, an emerging 'shared value' approach relies on policies and practices that drive competitiveness while simultaneously improving the economic and social conditions for communities in which business operates. The shared value approach instils a kind of enlightened entrepreneurialism - one which seeks to normalise the relationship between economic benefit and social progress.[6]
- 'Positioning' strategies enable organisations to determine their value chain, and in doing so, better design their own activities in relation to suppliers (upstream) and customers (downstream) to maximise competitive advantage and profitability. Positioning strategies have been popularly adopted by companies seeking to achieve fitness-for-purpose in target markets and industries. Such approaches lend themselves to relatively stable competitive and operational environments, and can support profitable business models, occasionally at the expense of change-readiness and agility.
- 'Organisational learning' strategies are pursued by companies that believe long-term success depends not only upon market positioning, but more fundamentally upon their ability to develop - and strategically apply - a set of core competencies and resources. Related approaches such as the concept of 'dynamic capabilities' can support the kind of rapid, responsive product innovation demanded for organisational resilience in specific, fast moving sectors and industries.[7]
- One way to develop supply chain reliability is to focus on stronger supplier partnerships, for example through Collaborative Planning, Forecasting and Replenishment (CPFR)[8]. The use of Electronic Data Interchange (EDI), for example, enables the kind of 'real-time' information sharing between mass consumer retailers and their many upstream wholesale providers and intermediaries. In complex distribution and manufacturing contexts, integrated information and transactional systems are vital in delivering flexibility and continuity of supply and operations.

These examples demonstrate the wide variety of approaches available to business that contributes to achieving the goal of resilience, some of which emphasise performance, or protection, or a combination of both. By demonstrating this variety, it is shown that organisations have a wide range of choice, and that they need to carefully select the method or combination of methods that best suits their business needs. To put it another way, all organisations face unique risk landscapes and there is no single guideline or standard that caters for all contingencies.

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6 Porter, M. (2011, January). Creating Shared Value. Retrieved June 19, 2012, from Harvard Business Review: http://hbr.org/2011/01/the-big-idea-creating-shared-value.

7 Teece, D., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. Strategic Management Journal.

8 CPFR is a Registered Trademark of Voluntary Interindustry Commerce Standards (VICS).

2.6 Summary

These corporate strategies or management systems are predominantly activities undertaken to achieve specific objectives identified across various parts of the business. BCM helps organisations plan and prepare for reasonably foreseeable risks that cause disruption, whereas JIT assists organisations improve efficiency in production.

These strategies and management systems have been developed to ensure outcomes in relatively routine and consistent operating environments, or to return organisations to business-as-usual (BAU) as quickly as possible after a crisis. These approaches point to a short term focus, one where the organisation is fit for purpose, is able to respond to short term shocks (whether they be natural disasters or changes in market dynamics) and is aimed at increasing effective BAU under normal conditions.

While effective BAU is a necessary first step towards organisational resilience, as a single focus and in the absence of the development of other concepts of resilience, BAU can be detrimental. It can limit an organisation's ability to develop tools, structures and behavioural attributes to change and adapt to shocks. It can also limit an organisation's ability to actively shape its environment and hence create a competitive advantage - an increasingly valuable (and necessary) attribute in many sectors and in today's challenging economic conditions. Many organisations are realising that while traditional corporate strategies serve a useful purpose in managing those risks that can be identified and planned for, particularly in the short term, they are not protecting them from increasingly uncertain environments and providing support for the organisation to position itself to survive and thrive into the future.

In short, these strategies can help to support resilience but do not constitute resilience in their own right. These strategies or 'disciplines' tend to focus on the traditional/technical (or so called 'hard') elements and not the behavioural (or 'soft') elements which are important in creating an adaptable and flexible capability within an organisation, that assist it to respond to any disruption, and can also be an important source of competitive advantage. This is where organisational resilience demonstrates its value.

As the concept of organisational resilience is still evolving, there is a need to explain how it compares and contrasts to more traditional corporate strategies and management systems, thereby illustrating the value proposition it provides for business.

Traditional approaches are typically sufficient for high levels of reliable performance in relatively stable, predictable and low threat environments characterised by reasonably foreseeable risk.

While traditional planning provides a solid foundation for dealing with risk and uncertainty, organisations that rely excessively on it can find themselves underprepared for unpredicted, disruptive and sometimes catastrophic events.

3. ORGANISATIONAL RESILIENCE - THE AUSTRALIAN CONTEXT

Organisational resilience stems from a growing need to manage the uncertainty of complex and interconnected modern societies and economies.

As described above, there are already a number of existing management systems that seek to address uncertainty, as well as approaches that have been developed to ensure quality outcomes in reasonably routine and consistent operating environments.

Approaches such as TQM and JIT assist organisations to optimise their performance in environments in which there is a low level of perceived unforeseen risk. Likewise, Risk Management and BCM help organisations manage risks that are reasonably foreseeable and predictable, however unlikely they may seem.

These approaches to uncertainty rely upon the ability to make predictions about the source and nature of risks, as well as their potential disruptive impact. They are planning-related activities ultimately limited in scope by the boundaries of the risk scenarios they are designed to address, and typically undertaken by a business unit within an organisation; they may not include the knowledge or input of all relevant organisational staff and key stakeholders.

Contrasted to this, organisational resilience is a more holistic approach that assists in managing unforeseen or unexpected risks. These are risks that might never have been experienced by an organisation before, are not categorised as foreseeable, and are not part of any formal Risk Management process or business continuity exercise.

Unlike existing corporate strategies and management systems, organisational resilience integrates asset and resource protection, performance and strategic leadership, organisational development, and a responsive and adaptive culture to ensure that an organisation not only survives adversity, but is better placed to meet post-event demands.

3.1 Organisational Resilience is an outcome not a system

It is important to realise that organisational resilience is not a stand-alone system. It is sometimes described as an outcome, one which by complementing existing corporate strategies and management systems within a resilience approach, can help an organisation develop the capability to deal with both foreseeable and unforeseen risks, respond to any disruptive event and (re)position itself for advantage after disruptions occur.

There is no 'one-size fits all' template for organisational resilience – this would fail to address the complexities of different corporate environments and characteristics, regulatory environments, stakeholder expectations and organisational obligations. It is for this very reason that resilience is different for each organisation.

However, **three principal concepts** of organisational resilience have been identified in the CEO research. These concepts relate to one another and indicate an organisational resilience maturity model, or an organisation's capability to engage in activities that support these different concepts. The three concepts are:

- **Effective business as usual capability** – the organisation has demonstrably efficient and organised plans and processes that help it resist the disruptive influences experienced in the normal course of doing business. Essentially, this is an organisation's core set of capabilities and its necessary first step in building organisational resilience. A strong BAU capability during normal conditions should mean the organisation is well placed when it needs to deal with unexpected disruptions.

- **Ability to change and adapt** – the organisation can proactively respond to disruptions using non-routine management. These events include those triggered by, but not limited to, major disruptions (such as natural disasters). The organisation responds effectively to other significant changes in its competitive or regulatory environment through an emphasis on the development of cultures that can adapt to changing circumstances.

- **Ability to shape the environment** – the organisation can actively create and/or shape the environment it operates in, either through the innovation of new categories of products and services, the influence of regulation, or fundamental reinvention of the industry in which it operates. This characteristic is particularly valuable for organisations operating in dynamic markets (such as consumer electronics) in which rapid changes in technology drives product development. The CEO research suggests this is most applicable to established global firms with an emphasis on being able to reinvent themselves multiple times, such that this represents a capability in itself.

4. ATTRIBUTES OF ORGANISATIONAL RESILIENCE

Resilience is dynamic and emerges from the complex interaction between a wide range of organisational attributes.

These attributes are derived from resilience-focussed leadership, culture (and mindset), people and partnerships. The way in which they are applied determines whether organisations can achieve a state of resilience or ultimately remain bound to more traditional planning and management approaches.

4.1 Attributes of Resilience Leadership

Unforeseen events (including high impact events) demand a different kind of leadership than is typically required for routine corporate management. Resilience leadership is required to respond in such times of organisational stress.

Simply having a Risk Management or Business Continuity Plan does little to prepare executives or staff for the type of resilience leadership required during a crisis or incident response. In addition to distributed leadership, continuous, visible top-level leadership helps maintain strategic focus and confidence during a crisis.

Leadership in times of crisis can ultimately determine whether or not an organisation survives. Research into mass fatality events has found that "the key determinant of value recovery relates to the ability of senior management to demonstrate strong leadership and to communicate at all times with honesty and transparency".[9]

While leadership teams, crisis structures and resources must all be in place, nothing substitutes for sound, agile decision making. Compassionate, engaged leadership during a crisis reinforces morale and expresses the collective will of a group determined to overcome profound threats.

Resilience leadership provides rapid, effective decision making during potential crisis events and inspires confidence that corporate survival will be achieved. Crisis events demand that leaders rapidly evaluate the situation, inspire others, leverage existing and form new working relationships, and exercise careful but rapid judgment in making executive decisions.

9 Oxford Metrica. (2005). Protecting Value in the Face of Mass Fatality Events. Retrieved June 19, 2012, from oxfordmetrica.com: http://oxfordmetrica.com/public/CMS/Files/601/04RepComKen.pdf

These 'non-routine' skills are vital during periods of high ambiguity and significant threat. These skills, rarely demanded for management of BAU, are vital for an organisation to be adaptable and change-ready. Traditional strategy and management systems cannot replace the need for business to invest in an organisational resilience approach that generates these skills and qualities in executive leadership.

Resilience leadership also plays a key role in establishing and maintaining resilience culture, people, practices and relationships across the organisation. Without leadership, these other critical attributes of organisational resilience would not be fostered or maintained.

4.2 Attributes of Resilience Culture

Organisations rely upon the experience, knowledge, dedication and teamwork of their people when confronted by unforeseen, disruptive influences and events.

A resilience culture leads every person (or at least the majority of people) within the organisation to react in a proactive, change-ready manner. People empowered within a resilience culture are more likely to be motivated to imagine and implement solutions which will enable business recovery, especially when documented plans are found to be unworkable or based on false assumptions, or difficult to adopt quickly to specific (and different) circumstances.

Attributes of a resilience culture include:

- Developing an organisational mindset of enthusiasm for challenge, agility, adaptive capacity, innovation and seizing opportunity
- Encouraging consistent and transparent commitment to a resilience culture, values and vision, including a belief of 'one in – all in', and
- Fostering an environment that supports agility, flexibility and initiative in decision making through trust, clear purpose and empowerment of employees.

Resilience culture embodies a corporate mindset of vigilance against significant disruption risk. It features an ever present consciousness of the 'mortality' of the organisation. It requires an unwavering commitment to learning from mistakes so that present performance and future possibilities can be optimised.

Resilient organisations are acutely aware of the possibility of corporate extinction while wholeheartedly striving to achieve their goals. This awareness lends both urgency and focus to their actions.

4.3 Attributes of Resilience Networks

In today's interconnected and complex business environment, organisations depend heavily on business partners, supply chains, and distribution networks for the continued achievement of their goals.

During unforeseen events (and especially high impact events) the ability to rely upon these networks becomes even more important in enabling the rapid adaption to and recovery from disruptive circumstances. Organisations develop resilience networks by cultivating intimate and trusted relationships with business partners to strengthen their entire value chain including upstream and downstream dependencies.

During crises, unexpected impacts to the production process (including supply chains) are typical. Organisations often need to collaborate with business partners, in an improvised and agile manner, to solve complex production problems.

Frequently, there is very little time during the onset of a disaster to finalise the type of commercial and legal arrangements that normally precede this type of collaboration. Trusted partners can often be called upon to 'go the extra mile' during crisis circumstances to provide critical inputs and assistance.

At the same time, resilience relationships involve the recognition of community interconnectedness in addressing vulnerabilities across all aspects of supply chains and distribution networks. Major unforeseen impact events are often of such magnitude that they not only directly impact a single organisation, but also strike the infrastructure upon which the wider community depends. There are many touch points and interdependencies that exist between an organisation and the communities in which it operates. These connections can act to either benefit, or hinder, corporate survival during periods of crisis.

There are also times when the magnitude of a crisis exceeds an organisation's own ability to respond. At such times the intervention and assistance of external groups (including government, other businesses, and the public) can be decisive.

Organisations that have built trust with their communities can rely upon strong relationships during periods of unprecedented challenge and threat.

4.4 Attributes of Change Readiness

It is in situations of unforeseen impact that unity of purpose within an organisation is of paramount importance. Clear objectives for response and recovery, together with broad awareness of organisational vulnerabilities and breakpoints, helps ensure that sudden onset shocks can be managed to advantage - not simply endured.

By establishing a proactive posture within an organisation, and an enthusiasm for challenge, disruptions are recognised as an opportunity for improvement, to build strengths and an opportunity to capitalise on the incident.

A change ready organisation encourages participative decision-making and activates the potential of workforces to respond to adversity or to take advantage of business opportunities. Resilient leadership moves the centre of control to individual employees when required, empowering them to proactively adapt to disruptive events in an agile and rapid manner.

As a result of this proactive and mindful approach, events that would trigger a crisis event in unprepared organisations can be treated as BAU by the most resilient amongst them. Resilient organisations return to BAU more rapidly than their more fragile counterparts. The ability to recover faster and more gracefully from business impacts not only costs the organisation less, but is ultimately a factor in whether it survives the 'brutal audit'[10] of a crisis event or not.

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[10] Weick, K. E., & Sutcliffe, K. M. (2007). Managing the Unexpected: Resilient Performance in an Age of Uncertainty (2 Ed.). San Francisco: John Wiley & Sons Inc.

5. ORGANISATIONAL RESILIENCE IN PRACTICE

As discussed, organisational resilience assists businesses deal with disruptive events that arise as a result of unforeseen or unexpected risks.

This means providing for an 'effective business as usual' capability and an 'ability to change and adapt' that helps them resist impacts and continue to meet their corporate objectives in the short term.

For certain companies that operate in particular markets, this also relates to a capability to 'shape the environment', either through the innovation of new categories of products or services, the influence of regulation, or fundamental reinvention of the industry in which they operate.

In each of these cases, the organisational resilience approach provides key benefits that traditional corporate strategy and management systems are less likely to deliver. We can compare these approaches through each of the following short and long term contexts, to better identify the advantages of adopting organisational resilience.

We will see how the resilience attributes act to transform an organisation's capability to effectively respond to unforeseen or unexpected risk events – and to successfully realise opportunities.

5.1 Resilience and 'effective business as usual'

The starting point for resilience with any organisation is its ability to effectively and efficiently perform BAU. No matter how stable or changeable their market environments may be, all organisations need to be able to match or exceed others' ability to perform BAU in order to remain competitive, profitable, and ultimately solvent. It is futile to focus on long term sustainability if the current state is uncompetitive and vulnerable.

Organisations that operate in highly commoditised markets and operate on extremely small margins are likely to see the value proposition for resilience in terms of the ability to achieve 'effective business as usual'. They typically lack the resources required to develop the types of organisational capability that allow them to adapt and respond to changes that occur in the external environment.

There are many traditional corporate strategy and management approaches that help organisations improve the effectiveness and efficiency of BAU. Methods such as TQM enable them to become comparatively competitive through continuous improvement in the quality of products and services.

Others, such as JIT, increase efficiency by constantly helping identify ways to reduce the cost of production. These methods are legitimate options to consider in the pursuit of competitive advantage and short term profitability.

Whatever management approaches are relied upon in strengthening BAU, organisations are increasingly relying on Risk Management and BCM to protect the continuity of operations. While valuable in their own right, such measures depend upon the ability to identify, and plan for, reasonably foreseeable events and risks. They are often insufficient to enable an organisation to maintain its BAU operations when disruptions triggered by unforeseeable circumstances occur.

Organisations that have a ‘resilience-aware’ culture are always conscious that no matter how efficient and effective their management systems are in establishing strong BAU, and no matter how well thought-out and deployed their Risk Management procedures are, there is always the possibility that unforeseen circumstances can arise which threaten the organisation and its objectives.

5.2 Resilience and the ‘ability to change and adapt’

The ability to change and adapt is a capability that is arguably relevant to most, if not all, organisations in today’s business environment. Each needs to provide a consistent level of services to their clients and stakeholders in an increasingly competitive environment.

There are traditional strategies and management systems, such as Crisis Management or Incident Management that enable organisations to respond to certain disruptions when they occur.

In addition to incident management and crisis management plans, organisations rely upon detailed Business Continuity Plans and Information Technology Disaster Recovery Plans during disruptive events.

However useful existing approaches can be during disruptions, outside of a resilience approach they are likely to be insufficient in ensuring that an organisation can survive, and successfully adapt to, a range of impacts and crises. By definition, the complexity and instability of crises require a more change-ready and agile response capability – one which goes beyond the mere execution of static response plans.

Both crisis management plans and continuity plans are prepared based on clear risk based assumptions. For example, many business continuity plans assume that nominated alternate premises will not be impacted by the same disruptive event that renders the primary business location unusable.

Under foreseeable circumstances these assumptions tend to hold true, and therefore the documented plans provide a sound basis for recovery. However, during more unforeseen events, the assumptions may quickly prove to be invalid.

Where unforeseen events are highly disruptive, levels of stress and ambiguity will be very high. In these situations it is the resourcefulness, determination, and agile decision-making characteristics of engaged people that, in large measure, determines how well crises are managed.

5.3 Resilience and the ability to 'shape the environment'

Organisations that operate in fast moving environments in which competitive advantage is achieved by cutting edge design or technology (such as consumer electronics) tend to emphasise the importance of being able to 'shape the environment'.

For such businesses, it is not enough to adapt to the actions of others – advantage comes from being a first mover, predicting consumer and stakeholder needs, and creating markets for their own innovative products. Innovation has been a principal driver of corporate profitability for over a century.

Traditional strategy and management systems for shaping the environment include product and service innovation such as Research and Development. It can also include actions taken to influence the political, legal, social, and economic environment in which an organisation operates.

All these actions influence values, preferences and ultimately the demand for an organisation's products and services. However, the mere existence of a process does not guarantee that innovation will happen.

Research indicates that by adopting a resilience-aware culture, businesses can develop two "fundamentally different organisational architectures" that operate at the same time rather than sequentially.[11]

An ambidextrous organisation is able to maintain an ability to explore the future and to imagine tomorrow's products, but also to exploit the present by executing to the highest possible standards as demanded by the market. By adopting a resilience approach, organisations can encourage the development of behaviours and attributes that are vital to achieve this dual capability.

Within the 'explore' function the organisation must enable a process of experimentation, learning from failure and creative thinking. To shape their environments, organisations must build the capability to operate in BAU as well as non-routine management modes - not sequentially, but simultaneously.

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[11] Tushman, M. (1997). Winning through innovation. Strategy & Leadership. Jul/Aug. 25(4)., 14.

It is important to recognise that this particular form of resilience will not be appropriate or possible for all types of organisations or sectors. For example, many Government Business Enterprises have their purpose defined within legislation and as such it could be inappropriate for them to seek to actively change their operating environment.

However it has been found that organisational boundaries, hierarchical leadership and silo-based planning often impede growth initiatives and create ‘blind spots’ to opportunities. Such opportunities are only unlocked by ‘cross-silo collaboration’ across an organisations’ major functions and divisions.[12] A resilience culture that emphasises proactivity and empowers distributed leadership can help remove these barriers.

[12] Gulati, R. (2009). Reorganize for Resilience: Putting Customers at the Center of Your Business. Boston, Massachusetts: Harvard Business Press.

6. CONCLUSION

The viability and sustainability of organisations continues to be tested in a world that is constantly changing and increasingly complex. For reasonably foreseeable and contained situations, established corporate strategies are often sufficient to allow organisations to recover from disruptions.

However, traditional methods can prove insufficient in the face of unforeseen, unexpected and complex disruptions. To put it another way, merely having a contingency plan is not enough. The organisational resilience approach, with its unique leadership and culture, networks and relationships and change ready whole-of-entity posture, assists organisations and their people to effectively respond when disruption strikes.

Resilience is context dependent and changes over time and circumstances. There is no single value proposition for organisational resilience. Individual businesses should determine which of the three principle concepts of organisational resilience presented in Chapter 3 are best suited to them and their context.

For some, the value of the organisational resilience approach in ensuring effective BAU operations will be compelling, especially for those in highly competitive, low margin commodity environments.

For many others, the value of the approach will be understood as providing a capability to change and adapt under competitive pressure, particularly when significant disruptions occur that can threaten business survival.

Some will see resilience as offering powerful behavioural and cultural attributes driving innovation and reimagined products and services. They know they must shape their environments for growth.

Several will find all three value propositions relevant to their context. Regardless, any business can find an organisational resilience approach that best suits its specific circumstances.

The approach complements and enhances traditional strategy and management systems, and together provides a capability to respond not only to reasonably foreseeable threats and opportunities, but also to the unforeseen or unexpected.

Given the clear benefits of an organisational resilience approach, organisations may even find that as their resilience matures over time they can place less reliance on traditional, planning-centric strategies for managing risk. They are likely to find organisational resilience provides the increased agility that evolving and future risk landscapes require.

ACKNOWLEDGEMENTS

The Commonwealth Attorney-General's Department would like to thank the following Ernst & Young people who contributed to the development of the report: Alex Serrano, Senior Manager and Asia-Pacific Business Continuity Management Leader, Michael Trovato, Asia-Pacific Information Security Leader and Catherine Friday, Canberra Risk Practice Leader. Further contributors from Ernst & Young included Peter Wilkinson, Daniel Rudd, and Dr Sarah Ogilvie.

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