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Resilience debate

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What makes a company resilient? Can resilience be achieved through processes and functions such as risk management, business continuity, technology and security, or must an organisation's culture, circumstances and behaviours be considered? To what extent do we understand the resilience capabilities of our organisations, and how can academia be useful in our understanding. In 2014, a group of business leaders, industry experts and academics came together to discuss their points of view in a lively debate.

Definitions for resilience

Resilience is a well quoted but often mis-used term. The industry needs to seek consensus on what it means in order to effect change.

Chair: If there is a tone set 'from the top', how does the government define resilience?

RM: From the perspective of the Cabinet Office, the 2010 National Security Strategy was effective because it established an explicit relationship between national security and resilience, under the banner of the all risks approach. Prior to that, thinking was almost siloed. The NSS presented national security and resilience as two sides of the same coin, and to extrapolate from that, resilience and prosperity have that same relationship. So national security is about more than just homeland security (or putting up barriers to negative impacts) but also about effective functioning; continuity, success, growth and prosperity.

Chairman: What does resilience mean at a global level?



Targeting resilience

This roundtable was held to debate what organisational resilience means and how it can truly be achieved

CM: The theme at the World Economic Forum's 2013 Annual Meeting was 'resilient dynamism,' and I think the timing was right for that. We are in a time of constant change and uncertainty, and resilience is a response not just to crisis but also to change. The WEF charts the evolving global risk landscape in its annual Global Risks Report. But to be actionable, that global perspective needs to be interpreted and applied locally and timely, from cultural, geographic, and industry perspectives.

Chair: Can organisations establish resilience?

DFS: I would ask instead about resilience in terms of the events that an organisation wants to be resilient to. Is there a point in time where the organisations ability to deal with a particular set of challenges or threats is degraded? Where it does not have the skills to deal with a particular set of demands? Also, an organisation can be robust but not resilient because it is simply not open to change. You could argue a resilient

organisation has to be more dynamic and adaptive. To deal with this, organisations should be constantly striving to understand how these interactions work together. Unless management is aware of its capabilities as well as the threats that it faces then there is likely to be a capability gap in which the potential for failure exists.

RH: I still think we haven't really understood the difference between risk and resilience.

RM: We do have a definition of resilience, which is pretty straightforward. It is the ability to spot what is upcoming, be prepared for those things; build a capability to respond in a flexible manner to things that you don't necessarily see coming, sustain a response through to long-term recovery, and then adapt to the new situation. It is suspiciously close to what I would also call integrated emergency management but that's a very public sector view. What are trying to convey is 'whatever your view, if you stop working, we stop working'. Those critical

**Participants:**

Chair: Martin Caddick (MC)	Director, Enterprise Resilience, PwC
Hamish Cameron (HC)	London Resilience Manager, Greater London Authority
Michael Faber (MF)	Director, Institute of Operational Risk
Denis Fischbacher-Smith (DFS)	Research Professor of Risk and Resilience, University of Glasgow
Robert Hall (RH)	Director, Security & Resilience Network, London First
John Hurrell (JH)	Chief Executive, Airmic
Amy Lee (AL)	Researcher, Resilient Organisations Research Programme, University of Canterbury
Dr Robert MacFarlane (RM)	Assistant Director, Civil Contingencies Secretariat, Cabinet Office
Liam McGrory (LM)	Marketing Director, Willis
Christopher Michaelson (CM)	Ethics & Business Law, University of St Thomas Strategy & Risk Institute, PwC
Bridgette Sullivan-Taylor (BST)	Senior Lecturer, Economics & Strategy Group, Aston Business School
Banker	Financial institution, UK

dependencies on the macro scale are a reality.

RM: I wouldn't say that resilience and crisis management are synonymous; they have a very clear relationship, in my opinion, but they are by no means the same thing. I think that language, definitions and concepts are quite important and quite telling. My definition of a crisis is something that's inherently strategic and threatens the objectives, values and reputation of the organisation. It's quite existential. I've dealt with organisations quite recently that don't have crises, but incidents. An organisation that doesn't do crisis is, as far as I am concerned, not facing up to some certain harsh realities and is not in the right place to actually start thinking about resilience more generally.

AL: Resilience is about being able to pick whichever strategy is going to work for you at the time and being able to oscillate between them all. If you don't have a range of anticipatory and responsive strategies available to you, you're not necessarily going to be resilient; you're only going to be protected, which is one difference between continuity and resilience.

The role of regulations and standards

Regulators, standards bodies and governments are taking a keen interest in resilience as a potential solution to many of the systemic risks that face business. In debating the issue, an agreed lexicon is beginning to emerge.

Chair: How does the British Standard currently in development approach the issue of resilience?

RM: The British Standard is focused on organisational resilience, rather than resilience per se. This is not to be confused with the International Standard, also in development. The British Standard is about good practice. We recognise that one of the fundamental issues is getting strategic level attention within the organisation. It will be something that will emphasise principles, will be clear on concepts, and as a concise as possible. This is not about business continuity, it's not about information security, it's not about risk management, it's not about crisis management, it's about all of these things and it's about how an organisation can actually bring a greater

degree of coherence to those activities that are done within its boundaries and, indeed, collaboratively across the boundaries and partnerships that it sits within. We're looking to get a draft out for public consultation in April 2014.

BST: Use of terminology is a prevalent theme in our research. Organisations make huge assumptions about language and definitions and in the context of an actual crisis, everything can unravel. And in areas where there's shared space, such as Canary Wharf, issues of dependencies really come to the fore.

Chair: What might solve this problem?

BST: At a minimum, by deferring to regulation and standards. I think we all know that regulations offer the minimum level of assistance, and that's even more pronounced at a global level.

MF: When a company is regulated by more than one authority, how common is the language used among them?

AL: There is often no commonly agreed language about resilience between regulators. I think definitions are important. A good definition has to be memorable and provide clarity on the core concepts. Wherever possible, we should strive to keep those concepts simple but useful.

DFS: It took the Royal Society two full reports to deal with the issue of defining risk and there's still a degree of ambiguity. The same problem faces resilience. We have to try and to set the parameters of what these terms mean.

CM: I don't think we are as advanced in the US

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in our use of the term resilience as you seem to be in the UK.

CM: The term resilience was not widely used in the US until after Hurricane Sandy. I wonder what catalytic events made the UK more advanced in that regard.

RM: One of the key lessons for us came widespread flooding in 2007 when a series of cascading failures took place and the critical national infrastructure very nearly failed. There followed a realisation that, not only were we not a position to manage those crises but we didn't know they were there in the first place. So there were some very profound lessons to be learned about the knowledge that we have of the infrastructure that we are dependent upon.

DFS: One of the single biggest issues is getting people who own now privatised critical infrastructure to share the information other organisations need in order to be resilient.

LM: There's a natural pressure not to share data that may give your competitor an advantage.

Policy and governance

Its human nature to try to find an operational solution to the implementation of resilience.

But without consensus on what resilience means an approach to delivery is difficult to define.

HC: There's a danger here of creating yet another policy to be followed, albeit one that says silos are to speak to other silos.

Banker: In our organisation, the natural reaction to the need to be more resilient was to put in place a resilience policy, which we try to resist, as we have almost 100 policies already; they pop up more often than you can deal with them.

MF: A common repository, such as a risk database that everybody feeds into, is a soft way of bringing silos together. And physical proximity – actually sitting compliance near audit and near risk – can work.

Chair: What role does governance play here?

MF: There is a blurred line between governance and management which can cause issues in itself, but more importantly, we train management to be good at managing, but what about the board? Do we train the board to be good at governance? Because without that at the very outset, we're potentially sending out highly trained managers in completely the wrong direction. When you first join a board, are you

given any education, training or guidance? I suspect that most are just expected to get on with it.

Collaborating for resilience

Enhancing resilience requires collaboration between organisational siloes

DFS: The problem is compounded because of the divisions that sometimes exist within organisations and also between the various professional bodies who deal with the broad area of resilience. I'm staggered by the number of chief security officers who never think about the broad areas of risk because that's seen as somebody else's job. The same can be said of some risk and business continuity managers who define their own issues too narrowly.

Chair: What are the main barriers to organisational resilience?

Banker: I am responsible for the day to day running of business resilience. We've had a number of challenges in our organisation. In the case of a recent large-scale technology failure, even though audits showed people were doing what you would expect them to do, the incident still took place. Why? I think the fault was probably in not ensuring the various silos were working together, which would show where things were falling through the cracks. It's a difficult cultural trait to break, particularly in a regulated environment, and especially where blame cultures persist. We may create policies every time there's a problem, but policies miss the point, as they stop people thinking for themselves. The resilient organisation thinks and adapts outside of policies or legislation to the specifics of the incident that's occurred. And for an organisation to adapt and respond in the right



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way, everybody needs to be involved. Breaking down those silos is absolutely key but really hard to do.

MF: There's a question in the Management of Risk qualification that asks who is responsible for risk. The answer is everyone. And if you ask everybody in the room, they will say everyone. But as soon as they get back to the office, that goes out of the window.

DFS: What you actually have in most organisations is a degree of paradigm blindness; people have a particular view of the world, and they struggle to accept anything that challenges that. Even in those situations where they are willing to accept the issue, they invariably interpret it through a particular lens or paradigm. I think this remains the single biggest challenge that the profession faces.

RH: Human behaviour will inevitably lead to silos because people like to work in teams, and there are many benefits of doing so. I don't think we will drive the resilience agenda forward by trying to advocate some grand managerial change in abolishing silos. What we can do is find the links between the silos, but accept that we're not going to change things by disavowing the silos in which people operate because we won't get resilience embedded if we don't. We have to make those walls more permeable rather than demolishing them.

Banker: Just because we work in silos does not mean we have to think in silos. If people work in silos and they're rewarded in silos and business units are driven by profitability in silos. I think it is helpful to think about how you can encourage, motivate and reward individuals to think outside of their silos.

CM: In the spirit of linking across silos, you could also say that risk and strategy are two sides of the same coin.

Resilience factors

Breaking down siloes is not enough to enhance an organisation's resilience.

Resilience is created and diminished by a wide range of factors.

Chair: What factors do we find when examining what makes organisations resilient?

AL: We identified thirteen indicators of resilience across two dimensions of planning and adaptive capacity. As an example, this included 'proactive posture' or strategic and behavioural readiness to respond to early warning signals of change before they escalate into crisis. We also found that resilient organisations break down silos to minimise divisive social, cultural and behavioural barriers which create disjointed, disconnected and detrimental ways of working. Interestingly, we found evidence that being resilient and being profitable are linked. We don't yet have the data to say whether being resilient causes organisations to be profitable, but the data does suggest that they are linked.

RM: I think that sends a very powerful message. Government, through means such as the National Risk Register, is good at communicating bad things that might happen, but we are not necessarily as good at talking about the business benefits and commercial upside that resilience might bring.

Chair: How does that correlate with the findings of the Resilient Organisations Research Programme?

AL: Same topics, different structure. We found the same behaviours across a wide range of organisations – even where organisations seem to have few things in common, the characteristics of resilient organisations seem consistent.

JH: Based on our interviews with companies at various different levels, and the shared tendencies and behaviours among them, we think we can define resilience in terms of five principles (See box out).

Chair: Have you found similar results through your research, Bridgette?

BST: Similar, yes. People can only cope and focus on what they control, so we've been looking at is around how we can encourage paradigm shifts within this quite constrained environment. We have also been asking how business continuity managers can have an influence at the top level, as well as influencing downwards.

Leadership for resilience

Leaders play a crucial role in advancing resilience in the organisation

Chair: To what extent can leaders encourage resilience throughout the organisation?

JH: Our research looked at 23 different companies involved in different kinds of catastrophic failure. All but one of the cases were characterised to a large extent by what we call the risk management 'glass ceiling'. So, despite the knowledge that this catastrophic failure was likely to happen and there was also a way to respond to it, the information had not

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Airmic's Roads to Resilience: 5 Principles

- **Risk radar** The ability to anticipate problems before they develop.
- **Resources and assets** That are well diversified, providing the flexibility to respond to opportunities as well as adverse or changing circumstances.
- **Relationships and networks** That enable risk information to flow freely throughout the organisation up to directors to prevent 'risk blindness'.
- **Rapid response** To ensure that an incident does not escalate into a crisis or disaster and that people and processes are in place to restore things quickly to normal.
- **Review and adapt** The ability to learn from adverse events and make the necessary changes.

reached the level at which anything could be done about it. This blockage was exacerbated by the fact that, in most cases, there was a failure of governance – leadership – at board level and senior management. We even found that non-executive directors were uncertain about their capacity to challenge on some of these critical issues because in fact they had actually been employed to add prestige to the board, and even client contacts in some cases.

DFS: Having served as a non-executive director on two occasions for NHS England, I empathise with both of those problems. You might expect that a hospital's board would have an acute awareness of patient safety and that it would be a standing item for board meetings. However, we rarely discussed patient safety and it only became an issue if there had been an adverse

event. For the rest of the time the boards would discuss more general issues but would not consider how these might impact upon patient safety at the sharp end. Here we have an area of activity where risk and safety are core business issues and yet the senior management team become more focused on things like bed days, financial performance, waiting times and other government targets because they become a measure of organisational performance. Issues of risk and resilience often do not have the focus that they deserve, despite the fact that they are pervasive within the core activities and are relevant to many of the other targets. As a board member, I was never required to do the root cause analysis course that we offered to our clinical and medical staff. I chose to do the course and then asked why it was not a board requirement. This would allow strategic decision makers to understand how adverse events in healthcare are generated – not just by the people dealing with patients but also in the way board level decisions can create cultures that engender certain behaviours.

JH: That's exactly what we discovered from our research. Very few of the board members had operational experience of the business in which they were board directors including, in some cases, the chief executive and the chairman. They were unable to challenge the operational side of the business on issues where the operation should be challenged. The drivers were different.

RH: I think there's a paradox if we focus on resilience rather than crisis management. I also believe there's a duopoly of wanting the right level of management at the top that drives the business forward culturally by advocating certain behaviours and processes and manages crisis

as best it can. But, at the same time, for an organisation to be resilient, more power has to reside with staff. There has to be a devolving of power at the top and an empowerment to staff. And it's all very well to criticise Bob Diamond and Tony Haywood, but I don't think you'll ever find a perfect CEO who can do everything. And even if the board is decapitated, a resilient organisation should still go on.

JH: Empowering means incentivising. But I think the default position in a crisis is to take away power and become more controlling.

RH: In the military, even if the General is removed, everybody on the ground still knows what they are aiming to achieve. If the same could be the case in business, that would create resilience

Continuous learning

The ability to continuously learn lessons and apply those lessons is a defining characteristic of a more resilient organisation.

Chair: Someone commented to me recently that when executives fail to manage a crisis in the UK, we get rid of them. Yet they are probably the least likely people to ever make the same mistake again. We have given them the most expensive real-time training we possibly can, and then we fire them.

DFS: An academic study being undertaken in the US at the moment looks at how high reliability organisations devolve authority down to the people who need to make decisions in real time. These are the individuals with experience of how the system is working and therefore they know when it is degraded. This

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requires a strategic commitment to training and a willingness to empower colleagues at the operational levels. Too many organisations will train people, tick a box, move on, train another cohort, tick a box and move on. They don't see learning as a continual process and I think this has implications for resilience around how organisations learn and sustain the performance and capabilities of their staff.

RH: I agree. The military spends a vast amount of time on training for that very reason – because the circumstances are going to be completely unknown. If we are going to drive the resilience agenda forward we have to train.

LM: Despite our disciplines, processes, certifications, bodies and years of experience, there will always be incidents that have not yet been modelled. It's easy to analyse historical data. We can all do that. But with new, emerging risks, it's much more difficult. How can we get up again when something unexpected happens? For us, one solution is by looking at the supply chain. We recently analysed down to the sixth tier of a client's supply chain and that's where we found the pinch point – something that they had not previously been aware of. We've also traditionally looked at the catastrophe element, but are now also considering non-physical elements such as reputation and brand. Technology and research can help us predict what might happen, where these things might come from and how we can help organisations ready themselves for those events. There will always be a crisis to manage, so how do you keep the wheel turning so you're always working on that problem?

CM: I think some supply chain organisations would say that building in redundancy is the

right way to prepare for a crisis. But investing in redundancy is counter-intuitive with regard to the performance mandate. So is resilience more about protection or is it more about performance? And do you have to have a choice between the two?

Seeking expertise

Much of the thinking on resilience has been championed by the academic sector, but organisations looking for simple solutions are likely to be disappointed.

MF: Working together, academics and business people need to create a mix of common values and approaches that can actually deliver. And unless we can have common purpose and values, resilience is going to be impacted.

DFS: I think we need to be careful when we talk about how academics can support this debate. The expertise on resilience within the range of universities can be quite variable and I think it's important to be sure of the nature of expertise within the university research community. All too often, those outside of that community don't ask the academic community what qualifies them to provide advice on particular topics. Expertise in this area is very domain specific. It is dangerous to assume that because someone has a doctorate that they have authority within all areas of study. I've seen a lot of individuals reinvent themselves in a new academic area without engaging in any formal or systematic retraining. So I'm cynical about what we can do as a community of scholars. This problem also exists in the consultancy field. Perhaps we should be looking for evidence of expertise and continuous development on the part of those who seek to provide advice and training in the area of resilience.

BST: There remains a big gap in executive teaching and training in this area. As the business context changes, so too do the needs for different skills.

DFS: Complex problems don't lend themselves to simple solutions.

Reflections from the Chair:

I was not sure we would achieve consensus for such a complex and emerging topic, but was surprised about how much of our thinking we had in common. This session raised three key points for me. First, organisations, regulators and governments want to create resilience, and there is a lot of work going on to help increase understanding on how to do that. Second, while academics might have pioneered the work, we are starting to see evidence and case studies of what good looks like in a practical sense, which is going to help all organisations increase their maturity. Third, a lexicon and pattern of thoughts is beginning to emerge about the complex subject of resilience, which will help organisations more quickly grasp where they may be exposed, and what they should be thinking about to address those exposures.