Resilience reimagined

Resilience, crisis and reputation
Building the muscle to manage any crisis or other high-impact event

For organisations to thrive, they should be ready to deal effectively with high-impact events – be it an expected one like a reorganisation, or an unexpected one, like fraud, a rogue virus or a tech breakthrough. But how? By planning separately for every conceivable event that could impact its operations or reputation? In today’s hyperconnected world, risks emerge and spread incredibly fast. There will always be risks that remain under the radar - until they take you by surprise. Our times call for a reimagined version of resilience. A more strategic and holistic approach. To weather any storm and become truly responsible, organisations need to look in the mirror and train their ability to prepare and respond. Indeed, their long-term survival is at stake. And, as recent events have made so glaringly obvious, the time to tackle this is now.
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What has changed for organisations in recent years?

Organisations themselves have become far more dynamic and complex in recent years - and that also goes for their environment. Globalisation has opened up vast opportunities, but the flipside of the coin is that events anywhere in the world, whether they are sudden shocks or slow-motion disasters, can disrupt an organisation. Its supply chain, for example, or its overseas operations. Global megatrends like climate change and big data provide opportunities, but they also change the risk landscape.

And while digital technology has revolutionised the speed and ease of communication, adverse media coverage travels equally quickly. In our hyperconnected world, nothing escapes the eye of public scrutiny. Accountability has become key to an organisation’s very survival. Meanwhile, leaders of organisations respond by initiating and planning strategic programmes in order to keep up or stay ahead. Programmes that, however carefully planned, themselves carry risk of disruption.

As such, the potential for events that can seriously impact an organisation’s operations, finances or reputation – let’s call them high-impact events – has increased exponentially. Disruption is the norm. This means that today, organisations and their leaders are operating in a climate of unpredictability, but with the certainty of uncertainty. In other words, with the certainty that they will regularly have to deal with high-impact events.

What precisely are high-impact events?

High-impact events are a fact of life. And they rarely come completely out of the blue. What they all have in common is that they:

• Are business critical
• Go beyond the scope of everyday business, transcending their regular governance structures
• Occur under public and political scrutiny
• Have significant disruptive potential

They may threaten the organisation’s continuity, its finances and its reputation - including that of its leaders. Ultimately, the organisation’s licence to operate and viability are under threat.

That said, high impact events come in many shapes and sizes, and approach an organisation from many angles. They can be triggered by forces outside the organisation. Societal, technological, economic, ecological and political (STEEP) developments can bring disruption. They are all around us, from #metoo to Wannacry, from trade conflicts to wildfires and outright wars.

High-impact events can also arise from unexpected (and often lingering, underaddressed) issues inside an organisation, such as corporate misdeeds, operational or technological failures, third-party risk or unwanted human behaviour. This is often the most underestimated category, but at the same time the most dangerous to an organisation’s reputation.

Also planned changes and developments of strategic importance, like reorganisations, IT implementations and relocations, rate as high impact events because of their disruptive potential. Especially where structural contingency planning is absent. Incidents or failures around such high-profile, “must-succeed” events threaten not only operations, but also reputation and stakeholder engagement.
Reimagining corporate resilience

Why is dealing effectively with high-impact events so vital?

This is a no-brainer, really. An organisation’s ability to successfully prepare for, respond to and recover stronger from high-impact events is what makes it resilient. What keeps it on course to fulfil its purpose. What protects its brand identity. What prevents unnecessary legal and financial liabilities. As our world becomes more complex, more dynamic, more connected, the importance of resilience will only grow – and organisations that are not fundamentally strong will not survive.

Every one of us, as an individual, understands the concept of personal resilience. It is the vital ability to stand up to stress, physical and mental, and do what is needed. To deal with life’s surprises without losing balance. To be a support to family, friends, the community, the workplace, when times are tough. For companies, corporate resilience is essential not just for the survival of individual organisations. It contributes to the resilience of society as a whole. Resilient organisations, after all, offer stakeholders more security, are better at handling change, and are more likely to be part of the solution rather than the problem. Resilience, in other words, is the bedrock of responsible, sustainable business practice.

Why do we need a new, reimagined approach to resilience?

While organisations and the environment they operate in have changed, strategies for dealing with high-impact events have not kept up and matured accordingly. It is time to reimagine resilience and take it to the next level. Based on the fact that managing high-impact events is a core, ongoing, organisation-wide responsibility. One that is owned and monitored at board level, and approached with the necessary expertise. One that is embedded in the organisation’s overall strategy. With the creation of stakeholder acceptance and endorsement organised from the outset - after all, no organisation operates in a vacuum.

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How have organisations been dealing with high-impact events so far?

While the complexity of organisational structures and operating models has increased in line with the changing environment (see above), organisations tend to stick to their traditional approach to such events. Each division, discipline or geography within an organisation is expected to identify the risks and the potential high-impact events related to them, and then make separate plans to prevent or respond to each of these. The IT department has a cybersecurity policy, the financial department has compliance and antifraud policies, communications has scripts for dealing with reputational issues, and so on. These policies are typically copy-pasted from best practices seen in other organisations - often without any link to the overarching strategic rationale of the organisation. Some organisations create specific responses and teams based on event categories. When inevitably an unexpected event develops into a crisis, a crisis management team is hastily assembled. Management takes swift decisions without considering stakeholders, and then pass them on to the communications department who must inform stakeholders and the general public.
Reimagining corporate resilience

What is wrong with this?

In yesterday’s world, this approach worked. But it is too slow, too reactive, too siloed for today’s high-paced, hyperconnected world, where risks abound and the stakeholder landscape has changed beyond recognition. It is usually too little, too late. Specifically:

• It is too fragmented. It is impossible, after all, to identify every potential risk in every domain. There will always be risks that remain under the radar - until they take you by surprise.
• Initial responsibility for managing high-impact events rests with a miscellaneous set of unconnected employees with no expertise or experience in this. Indeed, they are typically middle managers in specific disciplines with “day jobs” to attend to. Precious time is lost, and mistakes potentially made, before the response is escalated to board level.
• Stakeholder relations do not get factored into the immediate response, which can lead to reputational damage on top of other impacts.
• The risks in planned high-impact events (reorganisations, IT migrations, etc.) are underestimated. When things go wrong, the damage can be considerable. Also reputation-wise. Leadership is more easy forgiven for having a blind spot for things they could not have foreseen; but stakeholders are much less forgiving when organisations mess up things that they have planned themselves.
• Too little is invested in strengthening the personal resilience of employees.
• But what is worst is the total disconnect with the company’s overall strategy.

Why is resilience not always getting the focus and priority it deserves?

Some organisations are unrealistically optimistic about the chances of a high-impact event hitting them. Some are overconfident that they are sufficiently prepared. Some have an aversion to change – a problem solved once they actually experience the disruption of a poorly managed high-impact event. And then there are organisations that focus on cost rather than value. Preferring lean and mean to safe and sound. They see building resilience as a cost to the business. It is not. On the contrary, a lack of resilience will cost an organisation money over time. It should be seen instead as a cost of doing business. A future-proof investment that actually saves money in the long term.

So what does “ready” look like?

Resilience is a “muscle” that needs to be constantly trained to stay strong. At an individual and at an organisational level. To date, many organisations still lack this strong and trained muscle. Without this trained muscle, the response to high-impact events starts from zero every time and has to rev up to top speed as quickly as possible. This puts undue pressure on an organisation, in terms of time, people, money and potentially repair costs. Maintaining a core state of resilience, a trained muscle, is ultimately more cost-efficient. To make an organisation and its leadership truly ready to deal with the unexpected requires a strategic and holistic view. An integrated approach that

• Organises resilience as an ongoing and organisation-wide core responsibility
• Guarantees that resilience is owned and monitored at board level
• Connects resilience to the company’s overall strategy, goals, beliefs and values
• Prioritises stakeholder thinking
• Focuses on developing the organisation’s core ability to prepare and respond

Rather than being a script or plan to take off the shelf when things go wrong, reimagined resilience adds value every single day.
Reimagining corporate resilience

Our organisation is still struggling with the current crisis. Do we have to tackle this now? Yes. The crisis we are now in reminds us how interdependent and vulnerable we are in this globalised world. And how suddenly the unexpected can strike. The pandemic took us by surprise while we were busy preparing for completely different risk scenarios. The lesson this teaches us is that the core of our crisis response should be that trained muscle, resilience. An overall preparedness and ability to respond. Ten years from now or tomorrow. Working to achieve that is our best guarantee that we can weather the next storm that comes our way. No matter what kind of storm it is.

How we help clients in becoming resilient?
Deloitte has developed the holistic approach to manage high-impact events. No matter the type, nature or potential impact, our integrated approach enables clients to responsibly prepare for and manage any high-impact event. It provides them with the clarity, confidence and control they need to emerge strong. We work across the full high impact event cycle, from preparation, through response to recovery, towards a new thriving state. Deloitte’s method uniquely combines well-developed tools (for crisis management, business continuity management, IT continuity, corporate security, communications and stakeholder management) to build resilience at every level of the organisation, from individual employees to the organisation’s role in society. Deloitte’s experts work with clients to develop strategic business impact analyses tailored to their situation, and offer them targeted training with life-like computer simulations in our resilience labs. The result is an organisation and leadership team with an intrinsic and permanent capability to prepare and respond. With Deloitte’s support, organisations learn to avoid the potential risks that come with high impact events. They learn to sustainably absorb the potential impact of such events. And they learn to accept and embrace the “certainty of uncertainty.”

Supporting clients in building resilience is good for their organisations, but also good for society. As such, it is very much a part of Deloitte’s broader ambition to do responsible business and help its clients do the same. The Deloitte network is committed to driving societal change and promoting environmental sustainability. Working in innovative ways with government, non-profit organisations, and civil society, Deloitte is designing and delivering solutions that contribute to a sustainable and prosperous future for all.

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