

“Resilience has been characterised as the ability to ‘bounce back’ from adversities, [to] ‘bend but not break’...”
(Meichenbaum, 2011)

What works? Resilience in organisations



Fundamentally, business resilience can be developed and fostered by:

- **Awareness** of the key business operational risks being identified in advance;
- **Adaptable** work practices to meet the demands of significantly changed circumstances in the business environment;
- **Adopting** timely helping, coping and thinking approaches for the changed business position;
- **Actively** looking after the business and staff collectively, in effective ways in a crisis period.

Build an Adaptive and Resilient Mindset

To do this, companies need to use a range of information and tools to gain insight into their current operations, performance and market environment and plan for different future environments.

Business owners should regularly stress test for multiple event scenarios simultaneously. These can include both internal issues, for example a new product that fails in the market or a badly perceived leadership statement that goes viral on social media and causes major reputational harm to the company.

Then executives can make changes to be able to survive various scenarios, including reallocating capital to shore up core areas, divesting assets that are likely to face disruption, and making sure the organizational structure can respond to an immediate threat. This includes an examination of the entire supply chain and considering whether outsourcing manufacturing (rather than owning it in-house) can help make a company more nimble without diminishing its reputation for quality.

Business owners also need to make sure they have the right managers in place, with the right skill sets for all situations. An organisation may have the best managers for a growth scenario, but they may not be nimble enough in a crisis situation. Owners should regularly evaluate whether the management team has the essential skills for all situations. They can then identify who should take the lead in different scenarios, such as crisis management or operational restructuring.

Create a Transformation Platform

To give companies the time, space and capital capacity to plan and reshape the organisation, they need to develop a platform to demonstrate their ability to be agile and decisive. To be effective, this needs to happen before a crisis occurs.

One key step in creating this platform is to understand the needs of all of a company's stakeholders. Key stakeholders include shareholders, major customers, bankers/financiers, key suppliers, and employees. Consider how each will respond to the types of event-driven situation you believe the company may face. Examine who has the economic, commercial and contractual leverage, if you need to present proposals to re-calibrate, reschedule or change financial terms. Understand the business pressures they are under and how that may affect any future negotiations.

Communicate regularly and strategically with all stakeholders to build trust and transparency. Make sure that they clearly understand the long-term strategic view. And listen closely to what they have to tell you, too, in order to foster a sense of partnership. Employees may have a front-line sense of how your products can perform. Financial stakeholders may have a broader understanding of the competitive landscape.

Creating a Resilient Business Model

Business operators should look at a number of areas and consider the right changes to ensure an agile future, based on the analysis they have conducted and the alignment to the company's overarching values.

Finance: Is the company sustainably financed to master the daily business as well as a transformation? Does it have flexibility for the unexpected?

Operations: Is the operations backbone of the company robust, or does it need realignment? Does the supply chain need to be transformed to allow more sourcing flexibility in the wake of trade disruptions or to react more quickly to customer needs? Does the company have the workforce with the right skills to adapt to the future?

Costs: How does the company's cost base benchmark against its competitor set? Is there scope to reduce costs or increase flexibility by switching fixed cost to variable cost?

Market strategy: Does the company have the right geographic footprint to reach consumers? Are there areas for expansion or, conversely, non-core markets to exit? Does it need to expand into new channels, such as enhancing its digital sales presence? Do products and pricing align with customer needs? Are there opportunities for short- or long-term revenue enhancement?

Innovation: Are digital operations both state-of-the-art and flexible enough to quickly adapt to new market realities? Is the company forming close connections with customers, such as employing a strong social media strategy that listens to and responds to customers?

Cash flow: How does the company perform against its peer group in converting profit to cash? Can the working capital cycle be improved through managing receivables, payables and inventory? Does the company have appropriate visibility on short- to medium-term cash needs?

Effective Transformation Implementation

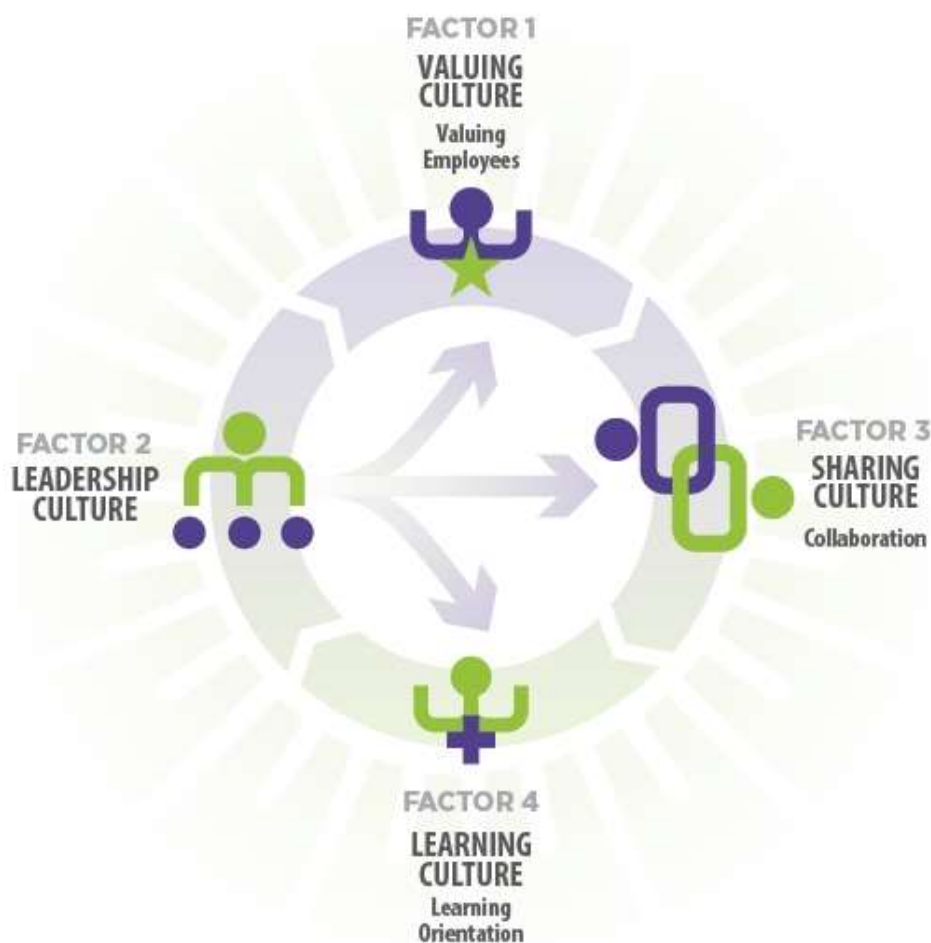
Reshaping the strategy and developing plans to deal with disruptive events can be a futile exercise if it is followed by weak execution.

History is littered with examples of very high performing businesses, which became poor performers or failed because they did not respond to the disruptive event with sufficient courage, speed and determination. Often delay results in viable options closing because of the loss of stakeholder and market confidence, or because mild underperformance becomes more acute and, for example, creates a cash crisis.

Building Adaptive Resilience

Recent research undertaken by a New Zealand consulting organisation – Resilient Organisations Ltd - resulted in them identifying four critical cultural factors that influence business adaptive resilience:

- The extent to which the business *values its employees*;
- The type(s) of *effective leadership* in the business;
- The extent of *collaboration* through internal and external business networks;
- The extent to which *learning and innovation* occurs and is supported in the business.



Source: Resilient Organisations Ltd - New Zealand

Conclusion

There are many important lessons arising from reviewing the topic of improving business resilience (in our two part series), which all business owners and operators should want to embrace in this rapidly changing world, seemingly fraught by many factors outside of any business's control.

Leaders are struggling with how to build and maintain organisations that are resilient to anticipated and unanticipated threats. The focus must now be on how to operate businesses that thrive and develop, not just in spite of stress but because of operational stress, due to a disruptive world. Hence you now must operate a resilient and adaptable business to survive and grow.

It is no longer possible to fully plan and prepare for everything; hence the move to resilience, which involves embracing capabilities that equip organisations to survive and thrive in unpredictable environments. The resilience approach centres on developing attributes that make businesses flexible and agile, so they can effectively deal with unanticipated events. Adaptive resilience involves building the capabilities needed during a crisis, allowing an organisation to adapt to a situation that is beyond its experience.

For a copy of the paper **“Building Adaptive Resilience”** produced by Resilient Organisations Ltd NZ, please click on the link [HERE](#).

To obtain a handy self-evaluation checklist – **“Evaluate your own Organisation’s Resilience”** – produced by Resilient Organisations Ltd NZ, please click on the link [HERE](#).

If you want a copy of **“Becoming Agile – A guide to building Adaptive Resilience”**, please click on the link [HERE](#).

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