On Resilient Organizations

By Olivier Serrat

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Organizations must be resilient if they are to survive and thrive in turbulent times. Learning from experience, investments in leadership and culture, networks, and change readiness can help them move from denial and paralysis to acceptance and practical solutions.

Vulnerability has few friends. Naturally, the ability to cope with and recover readily from adversity is the preferred attribute of living organisms and their environments: in the face of shocks that threaten existence or viability, it enables them to bounce back to a previous state of normal functioning, or simply not show deleterious effects. Indeed, the ability of an entity or system to maintain and renew itself—or not—in the presence of stressors is of paramount significance to life on earth.

As you would have thought, resilience has a long history in ecology and, when persons are the subject, psychology. Additionally, of late, it has been used in the context of communities, hence, organizations, where it is more and more defined in active, not passive, terms to connote deliberate efforts to deal with—perhaps even thrive on—hardship. For communities and organizations, resilience must surely stand for more than mere survival.

As a matter of fact, with an initial focus on tragedies in the wake of 9/11,[1] the notion of organizational resilience has burgeoned because of the need to manage uncertainty and ambiguity in modern societies and their economies, all of them complex and increasingly interconnected.[2] Where once-isolative system boundaries rupture or wear away, applying the concept of resilience to organizations—the fundamental building blocks of collective human endeavor—is vital to ensure enduring social well-being and economic prosperity in the 21st century. Because of its intimate, assimilitative, relationship with such fields as enterprise risk management and business continuity management,[3] organizational resilience is now considered an outcome—and a fundamental concern—of corporate governance.

> *Life is like a game of cards. The hand you are dealt is determinism; the way you play it is free will.*
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> —Jawaharlal Nehru

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[1] From that perspective, resilience was defined as the ability of organizations to deal with catastrophes such as a natural disaster, e.g., an earthquake, a tsunami, or a volcanic eruption; a power outage; a fire; a bomb; or similar event after they have become manifest. This led many governmental emergency response systems to adopt the "4Rs" approach to risk management—reduction, readiness, response, and recovery.

[2] The forces that drive structural transformations in the globalizing economy comprise, for example, shifting demographics; fast advances in science and technology; shrinking markets; the explosion of digital networks; the thinning out of accountability, governance, and power; the realignment of economic influence in a polycentric world; and rising concern for environmental sustainability.

[3] Other practices of organizations seeking to protect themselves are emergency management, crisis management, physical security, and cyber-security.

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The Case for Organizational Resilience

Certainly, in the private sector, success has never been so fragile:[4] large organizations fail more often than in the past.[5] Every day, the sustainability of organizations is tested in a world that constantly changes and offers new challenges: in deference to the Red Queen hypothesis, depending of course on the environment they operate in, it is as if they must get better just to keep in the same place.[6] Therefore, with respect to organizational resilience, beyond unrewarding portrayals of maladaptive processes and on a par with concepts of the learning organization, emerging ideas evolve ways to accommodate environmental turbulence and effectively manage disruptive change[7] and its pace[8] to engage, adjust, adapt, and recover; capture or realize opportunity; and in some cases actually morph to become stronger on account of the experience.

> *When, in an epoch of change, tomorrow is necessarily different from yesterday, and so new things need to be done, what are the questions to be asked before the solutions are sought? Action learning differs from normal training (education, development) in that its primary objective is to learn how to ask questions in conditions of risk, rather than to find the answers to questions that have already been precisely defined by others—and that do not allow ambiguous responses because the examiners have all the approved answers.*
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> —Reginald Revans

Every organization faces a unique risk landscape and resilience thinking must embrace learning. Achieving desirable outcomes amid strain requires creativity and innovation, aka, competencies borne of practiced skill at harnessing internal and external resources[9] and authority productively to address issues at the edge of chaos.[10] Importantly, given the developmental properties of resilience, the capacity to constantly adapt, improvise, and even shape change can only spring from latent potential at individual, group, and organizational levels, nurtured

> *Do I contradict myself?*
> *Very well then I contradict myself,*
> *(I am large, I contain multitudes).*
>
> —Walt Whitman

over a history of prior experience.[11] As organizations build on the past to expand their behavioral repertoires across new competencies the range of possible actions they can take to meet hazards grows in breadth and depth. They are not error-free, yet errors do not disable them: they become high-reliability organizations that continuously focus on performance.

Responding without delay, thoroughly, and constructively with minimal stress to unexpected events and circumstances is now an organizational imperative, alongside client-

> *There exist some evils so terrible and some misfortunes so horrible that we dare not think of them, whilst their very aspect makes us shudder; but if they happen to fall on us, we find ourselves stronger than we imagined; we grapple with our ill luck, and behave better than we expected we should.*
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> —Jean de La Bruyère

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4   The average lifespan of a company listed in Standard & Poor's 500 index of leading companies in the United States has shrunk by more than 50 years over the last century, from 67 years in the 1920s to only 15 years of late.

5   Irrespective of an organization's lifespan, dysfunctions in sectors such as business, disaster assistance, energy, environment, healthcare, humanitarian aid, international relations, or transport can beget terrible upshots.

6   Organizational evolution would have it thus: faced with competition, an organization is likely to look for ways to raise its performance; when successful, generative learning boosts its competitive strength, which in turn triggers adaptive learning in resistant rivals and makes them more robust, thereby inciting the first organization to continue to learn more.

7   Here, disruptive change is brought about by surprises that destabilize organizational performance and can even threaten viability.

8   The pace of change is driven by variations in the kind, number, and recurrence of conditions an organization experiences.

9   Here, the term "resource" is taken in its broadest sense, meaning, a financial, human, informational, and material resource, including a service, made available to a system so that it can function.

10   Complexity thinking helps analyze what has become a key descriptor of our world. Eschewing reductionism, which interprets data and information in simple terms, it offers pointers where organizations find it difficult to predict, control, and influence because of self-organization and co-evolution. When a system risks decline or collapse— stagnation is not an option in a competitive world, double-loop and triple-loop learning can remedy inadequacies and leapfrog the (inexorably declining) curve of organizational performance over time.

11   To overcome the innate cognitive, ideological, political, and strategic barriers to organizational sustainability that crises expose, three basic questions would need answering after each experience: (i) what have we learned? (ii) how—or in what conditions—did we learn? and (iii) how can we integrate what we learned in individual and collective capabilities to understand complex, interdependent issues; engage in reflective, generative conversations; and cultivate personal and shared aspirations?

orientation and agility.[12] In times of change, organicity[13] trumps the day through structural flexibility, viz, relaxation of command and control; expansive processing of information; and opportunistic appropriation of redundancy, slack resources, and capabilities for improvisation.[14]

Dimensions of Organizational Resilience

Resilience is neither a series of principles nor an end state: it is a never-ending journey that, within a risk landscape, is conditioned as much else by organization, people, knowledge, and technology, as well as the interactions[15] among these. Notwistanding, in the here and now of recurrent crises, resilience must be an act of mindful,[16] strategic anticipation and active waiting spanning day-to-day, exceptional, and emergency management.

> *Happiness is not the absence of problems but the ability to deal with them.*
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> —H. Jackson Brown

Interest in organizational resilience grows daily but, sorry to say, the state of the art still leaves much to be desired—to date, most of the literature propounds generic traits. They include such recommendations as: avoid being overprotective; bounce back from adversity; build a culture of commitment and accountability; entertain the inconceivable; foster trust between leaders and teams; listen to complainers; make sure employees engage with the strategy of the business; move the goal posts every three years; put your motivators where your mouth is; refuse to rest on your laurels; self-correct; shore up your decision-making processes; show the courage of your convictions; think horizontally; use people to change people; etc.

Yes, certainly … But, what specifically might it be that makes some organizations survive and thrive in turbulent times? Helpfully, Resilient Organizations suggest that the resilience of an organization is a function of three interdependent attributes: (i) leadership and culture—which define the adaptive capacity of the organization; (ii) networks—which amount to the internal and external relationships fostered and developed for the organization to leverage when needed; and (iii) change readinesss—which signifies the planning undertaken and direction established to enable the organization to be change-ready.[17]

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[12] Agility is the twin of resilience. It connotes with the means to move rapidly and flexibly to reap benefits from opportunities or adapt to threats arising from volatile environments. Fleetness of foot or, better, the ability to change the rules of the game typifies agility. For latitude, by and large, organizations need to develop: (i) financial agility—this means having liquidity with which to absorb downturns and buy the freedom to venture, (ii) operational agility—this equates with being lean and efficient, (iii) organizational agility—this entails having less hierarchical and more empowering structures that involve and engage personnel, and (iv) portfolio agility—this signifies being able to reallocate, reshape, or reinvent resources with all necessary speed. From such broad-based capability, they can then—as a matter of orchestrated routine—strategize dynamically, correctly perceive environmental transformations, test possible responses, and implement changes in, say, capabilities, methods of delivery, operations, policy, processes, products, services, strategy, structures, systems and their interactions, and technology.

[13] Tom Burns and George Stalker contrasted what they termed "organic" and "mechanistic" forms of organization more than 50 years ago. A mechanistic management system befits stable conditions; an organic form meets changing conditions. In a closed system design, the former exhibits low levels of uncertainty typified by centralized decision making, low integration of offices and departments and functional areas, standardization and formalization, and low differentiation of tasks; in an open system design, the latter exhibits higher levels of uncertainty characterized by decentralized decision making, high integration of offices and departments and functional areas, little standardization and formalization, and high differentiation of tasks. This said, there is no optimum way of organizing: configuration is conditioned by the efforts a venture deploys to achieve landscape fitness. See Tom Burns and George Stalker. 1961. *The Management of Innovation*. Tavistock.

[14] To improvise is to do something on the spur of the moment without preparation and with what resources are available.

[15] An aside on organizational silos is warranted. The *Knowledge Solutions* on bridging organizational silos explain that large organizations rely on teams to develop and deliver products and services. However, the defining characteristics of specialized units often hamper collaboration among different parts of an organization. Promoting intra-organizational resilience demands that an enabling environment be built for effective cross-functional teamwork. See ADB. 2010. *Bridging Organizational Silos*. Manila. Available: www.adb.org/publications/bridging-organizational-silos

[16] The *Knowledge Solutions* on knowledge behaviors showcase 16 habits of mind that attend to value, inclination, sensitivity, capability, and commitment—all defined toward behaving intelligently when confronted with problems. See ADB. 2012. *On Knowledge Behaviors*. Manila. Available: www.adb.org/publications/knowledge-behaviors

[17] Resilient Organizations also provides a resilience benckmark tool and associated questionnaire to gauge the resilience of an organization, monitor progress over time, and compare resilience strengths and weaknesses against other organizations in the sector of interest or of a similar size.

Table: Resilience Indicators

	Indicator	Description
Leadership and Culture	Leadership	Strong crisis leadership that provides good management and decision making during times of crisis, as well as continuous evaluation of strategies and work programs against organizational goals.
	Staff Engagement	The engagement and involvement of staff who understand the link between their own work, the organization's resilience, and its long term success. Staff are empowered and use their skills to solve problems.
	Situation Awareness	Staff are encouraged to be vigilant about the organization, its performance, and potential problems. Staff are rewarded for sharing good and bad news about the organization including early warning signals and these are quickly reported to organizational leaders.
	Decision Making	Staff have the appropriate authority to make decisions related to their work and authority is clearly delegated to enable a crisis response. Highly skilled staff are involved, or are able to make, decisions where their specific knowledge adds significant value, or where their involvement will aid implementation.
	Innovation and Creativity	Staff are encouraged and rewarded for using their knowledge in novel ways to solve new and existing problems, and for utilizing innovative and creative approaches to developing solutions.
Networks	Effective Partnerships	An understanding of the relationships and resources the organization might need to access from other organizations during a crisis, and planning and management to ensure this access.
	Leveraging Knowledge	Critical information is stored in a number of formats and locations and staff have access to expert opinions when needed. Roles are shared and staff are trained so that someone will always be able to fill key roles.
	Breaking Silos	Minimization of divisive social, cultural, and behavioral barriers, which are most often manifested as communication barriers creating disjointed, disconnected, and detrimental ways of working.
	Internal Resources	The management and mobilization of the organization's resources to ensure its ability to operate during business as usual, as well as being able to provide the extra capacity required during a crisis.

	Indicator	Description
Change Readiness	Unity of Purpose	An organization-wide awareness of what the organization's priorities would be following a crisis, clearly defined at the organization level, as well as an understanding of the organization's minimum operating requirements.
	Proactive Posture	A strategic and behavioral readiness to respond to early warning signals of change in the organization's internal and external environment before they escalate into crisis.
	Planning Strategies	The development and evaluation of plans and strategies to manage vulnerabilities in relation to the business environment and its stakeholders.
	Stress Testing Plans	The participation of staff in simulations or scenarios designed to practice response arrangements and validate plans.

Source: Resilient Organizations. 2012. Available: www.resorgs.org.nz/

Further Reading

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For further information.

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