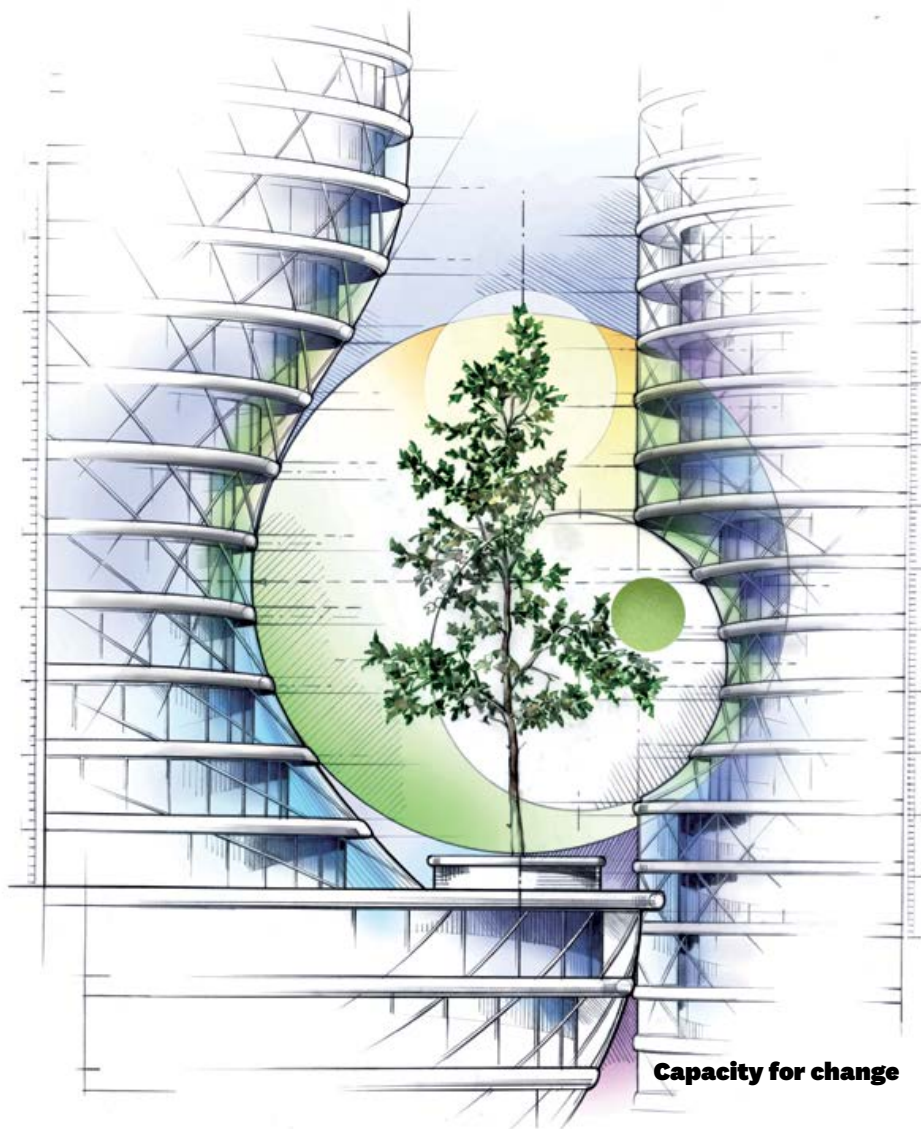


*Deloitte* **INSIGHTS** *Magazine*

2023

**31**



**Capacity for change**

# How resilient could Western economies be to the crises ahead?

By *Céline Neuenschwander*  
and *Ralph Wyss*

**Deloitte.**  
Insights

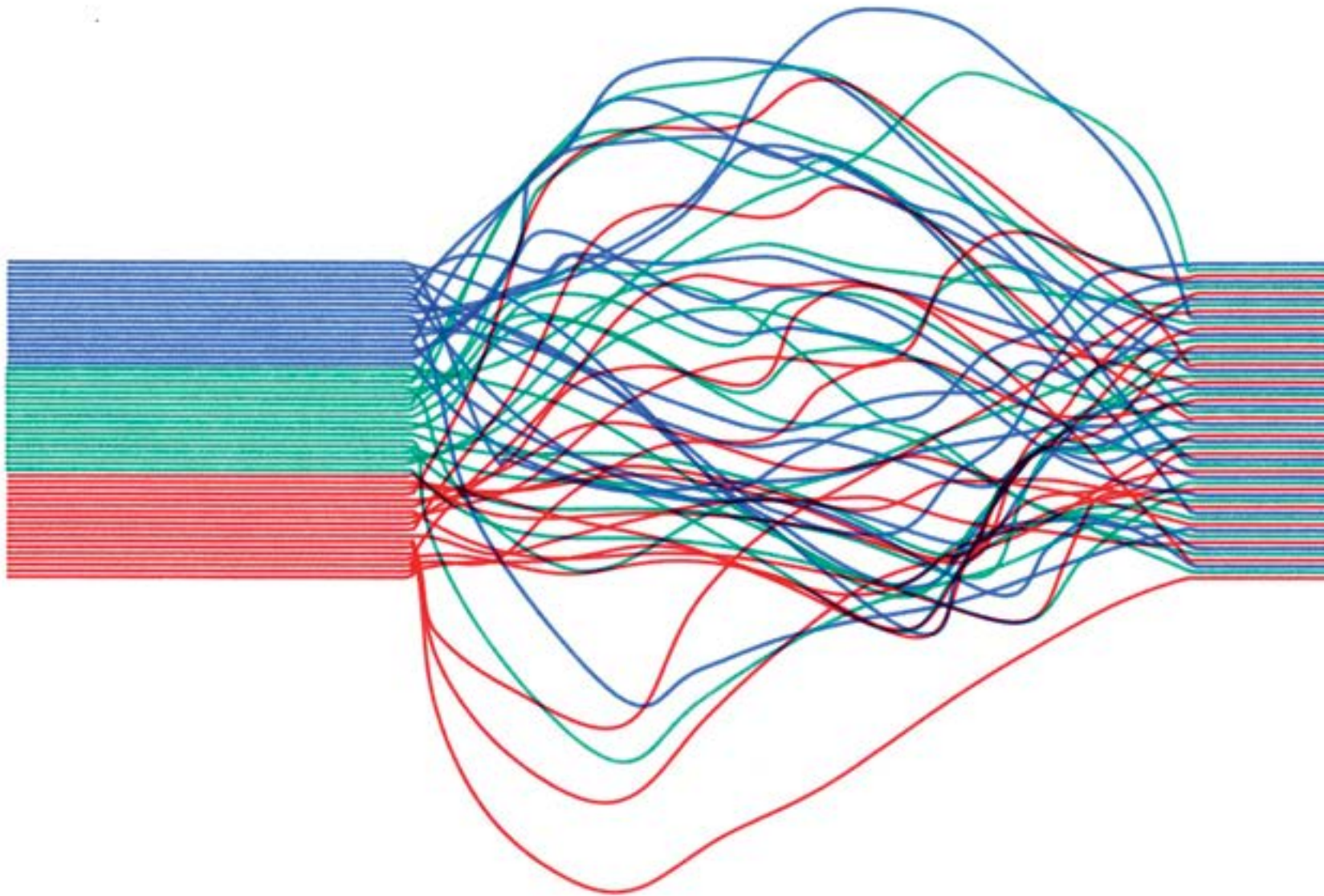
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see <http://www.deloitte.com/about> for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see <http://www.deloitte.com/us/about> for a detailed description of the legal structure of the US member firms of Deloitte Touche Tohmatsu Limited and their respective subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting. For information on the Deloitte US Firms' privacy practices, see the US Privacy Notice on Deloitte.com.

Copyright © 2023. Deloitte Development LLC. All rights reserved.

# How resilient could Western economies be to the crises ahead?

*Through interviews with company, university, and nonprofit leaders, Deloitte Switzerland assessed the Swiss economy's potential weak points to future pandemics, geopolitical tensions, and climatic events, and developed a template to help evaluate a Western economy's resilience.*

By **Céline Neuenschwander** and **Ralph Wyss**





A global pandemic may have been considered unlikely before 2020 and a conventional war of aggression in Europe could have been just as unlikely before 2022. Such events test our countries' economic resilience and expose the weak points in what may sometimes be painful ways. We live in a highly developed yet fragile system that depends on very particular factors, many of which are intertwined. The question at hand is how to consider systematically assessing and improving the resilience of these economic factors and of our economies as a whole. Countries can start by assessing which types of crises may be most disruptive and which economic factors they impact most.

Deloitte Switzerland developed a methodology to help assess what effects a global pandemic, geopolitical tensions, or an increase in extreme climatic events would have on eight major factors that are necessary for the functioning of a typical developed economy: nutrition, health care, public safety, energy supply, telecommunications, financial market infrastructure, critical resources, and logistics. The intention was to develop a template to help evaluate a Western economy's resilience—the ability of an economy to deal with, recover from, or fully avoid an external (nonself-inflicted) shock.<sup>1</sup>

We focused on Switzerland's economy for this exercise, and we conducted 18 interviews with external experts from associations, public service organizations, universities, and companies—many with direct responsibility for ensuring Swiss resilience. The interviewees estimated the impact of the three crisis scenarios on each of the eight economic factors, ranking the crises' impact on a scale from 0 (complete elimination of the given economic factor) to 100 (remains essentially stable). For all of the scenarios, we looked three to five years into the future. Each scenario could be possible, but we didn't analyze or ask about its respective probability.

While not definitive, the results of this small study reveal some major differences in the resilience of the eight economic factors regardless of the type of crisis. The financial market infrastructure, for example, appears to be encouragingly resilient. And although the energy supply—a much-discussed topic at present—exhibits certain vulnerabilities, the basic supply could be largely maintained. Meanwhile, health care was found to be somewhat less resilient and could be severely limited in the global pandemic and geopolitical tension scenarios. And due to its dependency on an on-site workforce, logistics also could be very vulnerable, especially in the pandemic scenario.

## When much of the world's workforce stands still—or stays home sick

What we found is that, compared to the other two scenarios, a global pandemic poses the greatest challenge to the Swiss economy's overall resilience. Many economic factors still depend heavily on the availability and employability of people, and if the workforce is sidelined en masse by illness (not to mention social distancing guidelines and restrictions), the economic factors could be greatly affected.

We examined a scenario in which a pandemic is prompted by a respiratory virus that isn't life-threatening but leads to a serious illness lasting several weeks and to potential long-term effects, infected people lose their immunity after three to six months, and a sustainable vaccination isn't yet available.

Our scenario posited that Switzerland's international connections and business activities have made the country a hotspot for the virus. Around 50% of the working population is working primarily from home. Under appropriate precautions and in exceptional cases, on-site work is also permitted. Companies and events with a high potential for infection are prohibited by the authorities from operating during the winter months ("lock-down"). On average, around 25% of the working population is sick and unable to work—with the proportion distributed evenly between those working from home and those working on-site. Large parts of the population question the official measures, while others consider them inadequate. There are great tensions between the respective camps.

All eight economic factors are dependent on people, and people would be getting sick in such a pandemic scenario, limiting the economy's crisis defense potential—even though Switzerland and the world as a whole have learned a lot from the COVID-19 crisis. Unsurprisingly, this is especially pronounced with health care services, and this pandemic scenario also would have a high impact on logistics.

## The palpable economic dangers of geopolitical tensions

Current events are demonstrating once again just how damaging geopolitical tensions can be to countries' resilience. And according to our analysis, this scenario ranks second for its deleterious effects on the eight economic factors we studied.

The hypothetical geopolitical tension scenario we examined was focused on the formation of geopolitical blocs and tensions between them, which have intensified in recent years, resulting in a risk of a nuclear military conflict. In this scenario, more powerful states are taking advantage of concerns about greater escalation to enforce local territorial claims. Sanctions are extended, severely restricting the exchange of know-how, important components, and raw materials between the blocs.

In Switzerland, our scenario posited that cyber and sabotage attacks occur on companies and critical infrastructure, and are intended to destabilize the country politically and economically. Sanctions and the growing fear of armed conflict lead Swiss companies to rearrange their international procurement and sales structures, potentially causing delays in delivery and supply bottlenecks in the short term. The population makes more "panic purchases" of shelf-stable foods. The migration pressure on Switzerland as a safe haven has continued to grow, which

leads to tensions as residents' willingness to help decreases as they focus on own welfare concerns.

It's not surprising that this scenario could have significant impacts on economic factors. Information, telecommunications, and health care could be vulnerable, due to the global nature of supply chains. And energy supply resilience could decrease rapidly in the face of major geopolitical tension and greater bloc formation.

Public security was found to be largely crisis-proof, as in all scenarios. However, the army, as the last resort for maintaining public security, could have difficulties stemming from the rise of geopolitical tensions, as it could become difficult to procure weapons. Furthermore, throughout much of Switzerland, many institutions (for example, the army, civil defense, crisis teams, and the fire brigade) are based on the country's militia system, which means that public duties or responsibilities rely on voluntary or part-time commitments from the citizens. While generally functioning well, services might become stretched in a prolonged crisis, as the voluntary or part-time militia members would need to return to their main occupations at some point.

## The changing climate exposes short-term vulnerabilities

Extreme climatic events could affect Switzerland's overall resilience only to a limited extent during the period we studied, since our analysis was focused on the short term (three to five years from now). That said, the economic effects of the climate scenario that our analysis revealed for Switzerland are still relatively low compared to the expected consequences over this period.

In our hypothetical scenario (based heavily on current events and projections, as with our other scenarios), extreme environmental conditions increase worldwide and will continue to occur more frequently. Political tensions intensify between states that are fighting over access to water, the sinking of land, and food shortages in certain regions of the world. Formerly fertile agricultural land in the Southern hemisphere is deserted, which increases the migratory pressure toward the North. The discussions about fair water distribution from the Alpine region exacerbate the political climate between states.

In Switzerland, our scenario posits that climate change is reflected in an accumulation of droughts and heavy precipitation. The permafrost continues to melt. As an Alpine foothills region, Switzerland still has sufficient water supply, but problems can arise with its nationwide distribution. Switzerland is sometimes under pressure from neighboring countries to regulate the retention of water in reservoirs, and to take their respective interests into account. Rivers sometimes carry so little water that river water cooling is endangered. The water level in the Rhine partly drops below the driving level. Conversely, the water levels rise so much that the height of the bridges becomes a restriction for ship navigation. The strong warming in the Alpine region and the retreat of glaciers and permafrost leads to increased rockfall. Transalpine transport and energy suppliers may be severely affected by this. In addition, the analysis revealed a pronounced weakness in securing food imports in this climate change scenario. This highlights the importance of domestic food production and emergency stocks—but they aren't resilient to an unlimited degree either.



**Céline Neuenschwander**  
cneuenschwander  
@deloitte.ch

Céline Neuenschwander is a researcher and consultant at Deloitte Switzerland whose experience spans politics, economics, international relations, and the public sector.



**Ralph Wyss**  
rwyss@deloitte.ch

Ralph Wyss leads Deloitte Switzerland's regulatory risk and assurance practice, and the defense, security, and justice sector within the government and public services industry.

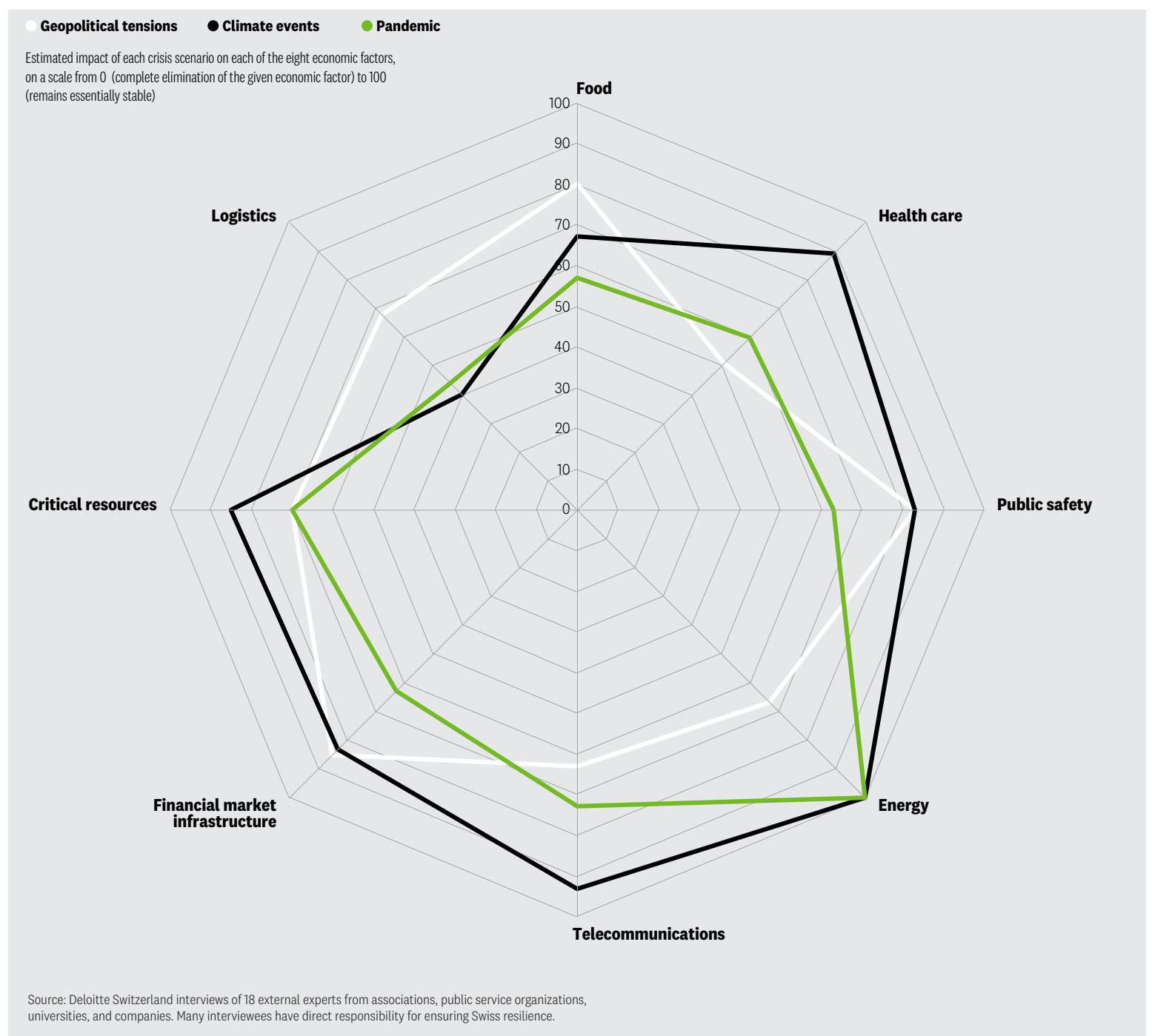
## Shoring up countries' resilience

By assessing the potential impact of crises and disruptions on each of the major factors or dimensions of a country's economy, the country can work to shore up its overall resilience through targeted effort and investments. And some kinds of crises or disruptions are easier to prepare for. For example, our analysis shows that it could be difficult for Switzerland or another Western economy to become highly resilient to a global pandemic

across all major economic dimensions, but geopolitical tensions are somewhat easier to prepare for.

Encouragingly, our study found that the Swiss economy (with a few exceptions) could be well-equipped to ensure at least basic public services and infrastructure during a crisis. However, the study also highlights that countries should take a broader approach to the issue of resilience, looking beyond economic factors like energy supply to better prepare for the diversity of the challenges that lie ahead. ●

**FIG 1:** Resilience in Switzerland per scenario



# Endnotes

P16

## Quantifying the value of tech companies' 'trusted actions'

1. Michael Bondar, Natasha Buckley, Roxana Corduneau, and David Levin, *Quantifying consumer trust*, Deloitte Insights, June 28, 2022.

P21

## Counting the glass ceilings that remain

1. Alison Rogish, Neda Shemluck, Patty Danielecki, and Samia Hazuria, *Advancing more women leaders in financial services: A global report*, Deloitte Insights, June 16, 2022.
2. Alison Rogish, Neda Shemluck, and Desiree D'Souza, *Leadership, representation, and gender equity in financial services: Within reach*, Deloitte Insights, November 4, 2021.
3. Workplace Gender Equality Agency, *Employer of choice for gender equality: Leading practices in strategy, policy, and implementation*, February 25, 2020.

P24

## Health inequities are expensive but preventable

1. Alison Muckle Egizi, Leslie Korenda, and Alex Schulte, "Health equity is both a moral and business imperative," Deloitte, June 30, 2022.
2. Kulleni Gebreyes, Jessica Perez, David Rabinowitz, and Dr. Elizabeth Baca, *Activating health equity*, Deloitte Insights, April 12, 2021.

P40-41

## Flourishing in ambiguity

1. The authors explored the implications of the networked environment we operate in and the shift from the monolithic firms to firms as extended ecosystems, in Peter Evans-Greenwood and Giselle Hodgson, *Strategy and the art of the possible*, Deloitte Insights, July 6, 2022.
2. In *Good to Great*, Jim Collins argues that the leaders of successful businesses tend to have a hedgehog's disposition: to know and act on one big idea. He is referencing philosopher Isaiah Berlin's essay *The Hedgehog and the Fox*: "A fox knows many things, but a hedgehog knows one big thing." While this might have been true in the past, we live in uncertain times. Commentators such as Nate Silver (in *The Signal and the Noise*) have called for decision-makers to become more foxlike. See: James C. Collins, *Good to Great: Why Some Companies Make the Leap ... and Others Don't*, 1st ed. (New York: HarperBusiness, 2001); Isaiah Berlin, *The Hedgehog and the Fox: An Essay on Tolstoy's View of History*, 2nd ed. (Princeton, NJ: Princeton University Press, 2013); and Nate Silver, *The Signal and the Noise: Why so Many Predictions Fail—but Some Don't* (New York: Penguin Press, 2012).
3. Availability bias is our natural bias to place more weight on information that is (more) easily accessible, the memories that are more easily recalled. See: Andrew M. Colman, *A Dictionary of Psychology*, 3rd ed. Oxford Paperback Reference. (Oxford, England: Oxford University Press, 2009).

4. Evans-Greenwood and Hodgson, *Strategy and the art of the possible*.
5. The phrase "act to decide" is taken from research psychology. Recent work looking into where the mind ends and the outside world begins (do we think "inside our heads"?) found that it's complicated. The assumption that we observe the world, think through the options available to use, and then commit to an action—what we might call a computational approach—is likely wrong. Instead, what we do is to observe the options available to use (the affordances) and then move to act to improve these options. Eventually, one of these options becomes so compelling that we commit. This is thinking by interacting with the world around us, rather than in our head. See: Andy Clarke and David Chalmers, "The," *Analysis* 58 no. 1 (1998): pp. 7–19.
6. We might consider this *deciding to not act*, though this is itself an action as it involved suspending operations and furloughing employees. When confronted by a choice, choosing not to decide is effectively a decision to accept the default. Indeed, this is the key insight from the oft-referenced trolley problem. While many commentators focus on whether to switch the tracks or not, the more interesting question is how one came to be at the switch at a point in time when a decision was required.
7. Peter Evans-Greenwood, Robbie Robertson, Robert Hillard, and Peter Williams, *Setting the stage for creative performance*, Deloitte Insights, October 29, 2021.
8. Sarah Sharples, "Sydney furniture company IsoKing made \$3.6 million after COVID-19 launch," *News.Com.Au*, May 7, 2021.
9. A predilection can be considered a bundle of attitudes and behaviors one uses to engage with work and the workplace. See: Peter Evans-Greenwood, Tim Patston, and Amanda Flouch, *The Digital-ready worker: Digital agency and the pursuit of productivity*, Deloitte Insights, October 18, 2019.
10. Chuck Jones, the creator of Bugs Bunny (among others), was a fan of turning adversity into creativity. When you cannot take your usual approach, when it's not clear what direction you should take, you're forced to find new approaches and explore new directions. Mr. Jones called these his "*disciplines*"—what he chose not to do. The most famous expression of this approach was the nine rules he developed for Wile E. Coyote and Road Runner series. See: Chuck Jones, *Chuck Amuck* (New York: Farrar Straus Giroux, 1999); and YouTube, "Chuck Jones – The evolution of an artist," video, July 16, 2015.

P42-45

## How resilient could Western economies be to the crises ahead?

1. Stephane Hallegatte, *Economic resilience: Definition and measurement*, World Bank, May 1, 2014.

P46-49

## Challenging the orthodoxies of brand trust

1. Emily Pidgeon, "The 10 most trusted brands for 2021," *CEO Magazine*, April 26, 2021.
2. Disney Wiki (Disney Fandom), "Disney cast member," accessed January 9, 2023.

# The organizational resilience movement

*Some research and insights have a short shelf life, while others continue to gain color and context. In each issue of Deloitte Insights Magazine, we look back on research we published and ideas we pitched, and evaluate whether they've stood the test of time.*

By **Bill Marquard**

Global leader of Deloitte's resilient organization and leadership program



## What we said then

“Resilience is not a destination; it is a way of being. A ‘resilient organization’ is not one that is simply able to return to where it left off before the crisis. Rather, the truly resilient organization is one that has transformed, having built the attitudes, beliefs, agility, and structures into its DNA that enable it to not just recover to where it was, but catapult forward—quickly.”

*The essence of resilient leadership: Business recovery from COVID-19, Deloitte Insights, April 2020.*

## What we say now

So, based on what we've learned from navigating through the onslaught of disruptions caused by COVID-19, geopolitical tensions, and concerns about an impending global recession, is resilience a way of being, or has it proved to be a means to an end—a way for organizations to weather the current storm?

There's a parallel to be drawn in the quality movement: Today, quality is embedded in the fabric of every organization, virtually a nonnegotiable expectation from all stakeholders. It's a way of being for 21st-century organizations.

Yet in the second half of the 20th century, quality was a competitive differentiator and something that needed to be worked at through explicit levers such as statistical quality control, total quality management, and the implementation of ISO 9000 standards. We needed an exercise regimen to build the quality muscle repeatedly, until it became a lifestyle.

Isn't resilience following a similar path? In conversations with executives, in business media, and in this very publication, there's ample evidence that leaders of organizations around the world are following an exercise regimen of resilience reps spanning strategy, supply chains, finance, systems, operations, and the workforce, with a goal of achieving resilience as a way of being—a means to its own end. It seems we're in the midst of the resilience movement. ●




Access more insights on how to build a more resilient organization at [www.deloitte.com/resilience](http://www.deloitte.com/resilience)


# Deloitte.

## Insights

### CONTACT

Email: [insights@deloitte.com](mailto:insights@deloitte.com)

 [@DeloitteInsight](https://twitter.com/DeloitteInsight) #DeloitteInsightsMagazine

 [www.linkedin.com/company/deloitte-insights](http://www.linkedin.com/company/deloitte-insights)



Go straight to smart.

Download the Deloitte Insights app

[www.deloitte.com/insights/app](http://www.deloitte.com/insights/app)

