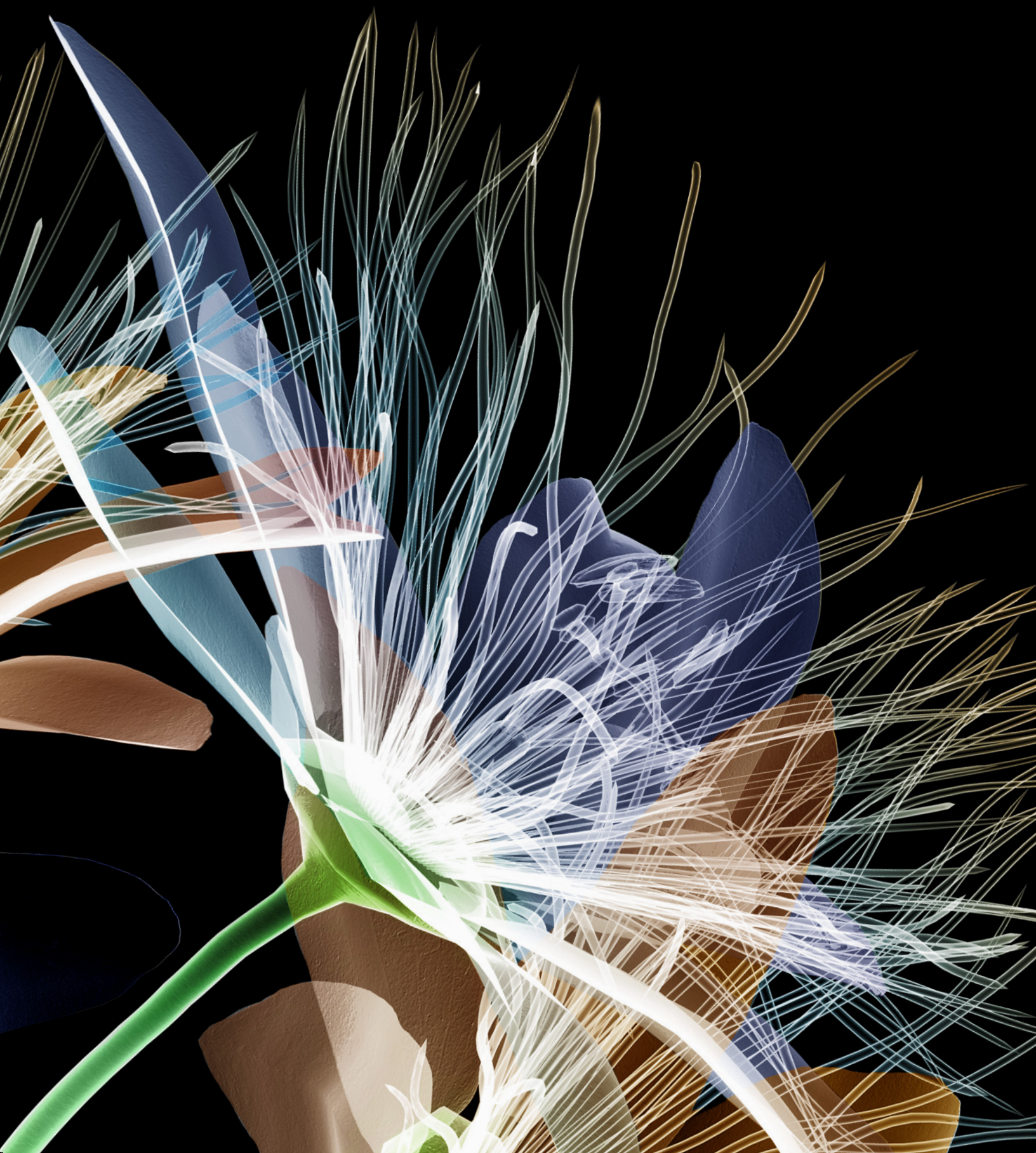


The resilient organization
How to thrive in the face
of uncertainty



The past year has demonstrated that organizations need to be more resilient in facing all risks, not just global pandemics. It involves embracing uncertainty with purpose—and building a reimagined strategy for resilience.

“We were just lucky, I guess,” said a C-Level executive at a Canadian financial institution as she wrapped up her 2020 second-quarter results. Luck had nothing to do with it.

Like most other companies, her firm struggled after COVID-19 hit the country in March. Operations had been disrupted for a short time, but most employees already had laptops and the company's IT environment was largely cloud-based. Field employees continued their work virtually; processes quickly adjusted and adapted.

Transaction volumes in Q2 dropped as customers parked their money and waited on the sidelines for greater market clarity. That didn't sting too much since the organization was well-capitalized, and with some government support where appropriate, remained liquid. It continued to deliver critical services to customers. A fortified back-end ensured the organization remained securely connected to the capital markets. Employees, suppliers, and taxes were paid. The company's stock price began rising.

Quick and effective action early in the pandemic to protect its employees and customers won the company praise—just as it had in crises before. Customer loyalty grew and new customers became easier to acquire. Employees' belief in and passion for the company's purpose grew.

This company wasn't “just lucky,” as the executive had suggested. It was *resilient*. And it had put hard work into getting there*.

*Based on the case of a real client; some details have been elaborated upon for illustrative purposes.



A world of uncertainties

Like other market leaders, this company and its board had long recognized the world was full of unknown risks. A global pandemic was just one of the so-called once-in-a-generation events they might conceivably face.

In fact, in January 2020, when COVID-19 was already circulating in Asia and Europe, the World Economic Forum (WEF) presented the results of its Global Risks Perception Survey. A global pandemic hardly registered; there were about 37 other risks that respondents thought more likely or potentially more serious.¹

Indeed, the world likely faces more risks today than when the WEF released that report. The political discourse has become more divisive; climate risks have become more immediate; racial inequality has become more visible; trade and commerce has become choked with barriers. All the while, companies have become ever more dependent on increasingly complex global ecosystems. If anything, the potential for more globally significant events is rising rapidly.

A lifetime of events, not a once-in-a-lifetime event

Acting despite uncertainty has been a defining theme of modern business, even in times of macroeconomic stability and continuity. Potential responses to what were considered once-in-a-lifetime events even a generation ago are today built into most strategic scenarios. Embracing this fundamental reframing means possessing the foresight and ability to confront uncertainty head-on and building it into decision-making and overall corporate strategy.²



From disruption to opportunity

What is a resilient organization?

Resilient organizations plan and invest for disruption, and can adapt, endure, and rebound quickly in a way that enables them to not only to succeed in its aftermath, but also to lead the way to a “better normal”.

The disruption of 2020 has taught us the importance of cross-functional strategic resiliency and early intervention. Companies that possessed the foresight to imagine the uncertainties ahead and who took a proactive and holistic approach to building resilience were better positioned to withstand the effects of the pandemic.

The key words here are *proactive* and *holistic*. The reality is that, historically, risk has often been managed in silos within specific verticals and functions. What the global crisis demonstrated to many CEOs and their boards was that they needed to create a much broader and more integrated approach across corporate functions that, in the past, had not worked closely together.

This forced organizations to think more holistically about resilience, and at the organizational level, we think of it with three interlinked pillars:

- **Financial resilience** enables the organization to be better prepared to withstand events that impact liquidity, income and assets.
- **Operational resilience** ensures the organization can absorb impacts on people, data, technology, facilities, supply, and demand.
- **Reputational resilience** makes the organization more responsive to external perceptions and building a foundation of trust and dependability.

These pillars are not the only aspects to consider. Executives and their boards will need to recognize their organization's resilience is tightly interlinked to a wider hierarchy of resilience.

Purpose as a catalyst

At the core of each level of resilience (see Figure 1, Hierarchy of resilience: what makes an organization resilient?) is the notion of the strength of a common purpose in activating resilience.

For example, at the personal level strong purpose instills motivation and a passion for an employee to learn, develop, grow, and perform. This in turn cultivates a more engaged workforce and can influence the organization and the sector in which it participates. The same compounding impact moves all the way towards its impact on broader society. Resilience, therefore, is a virtuous cycle; one that we must all work together to achieve.

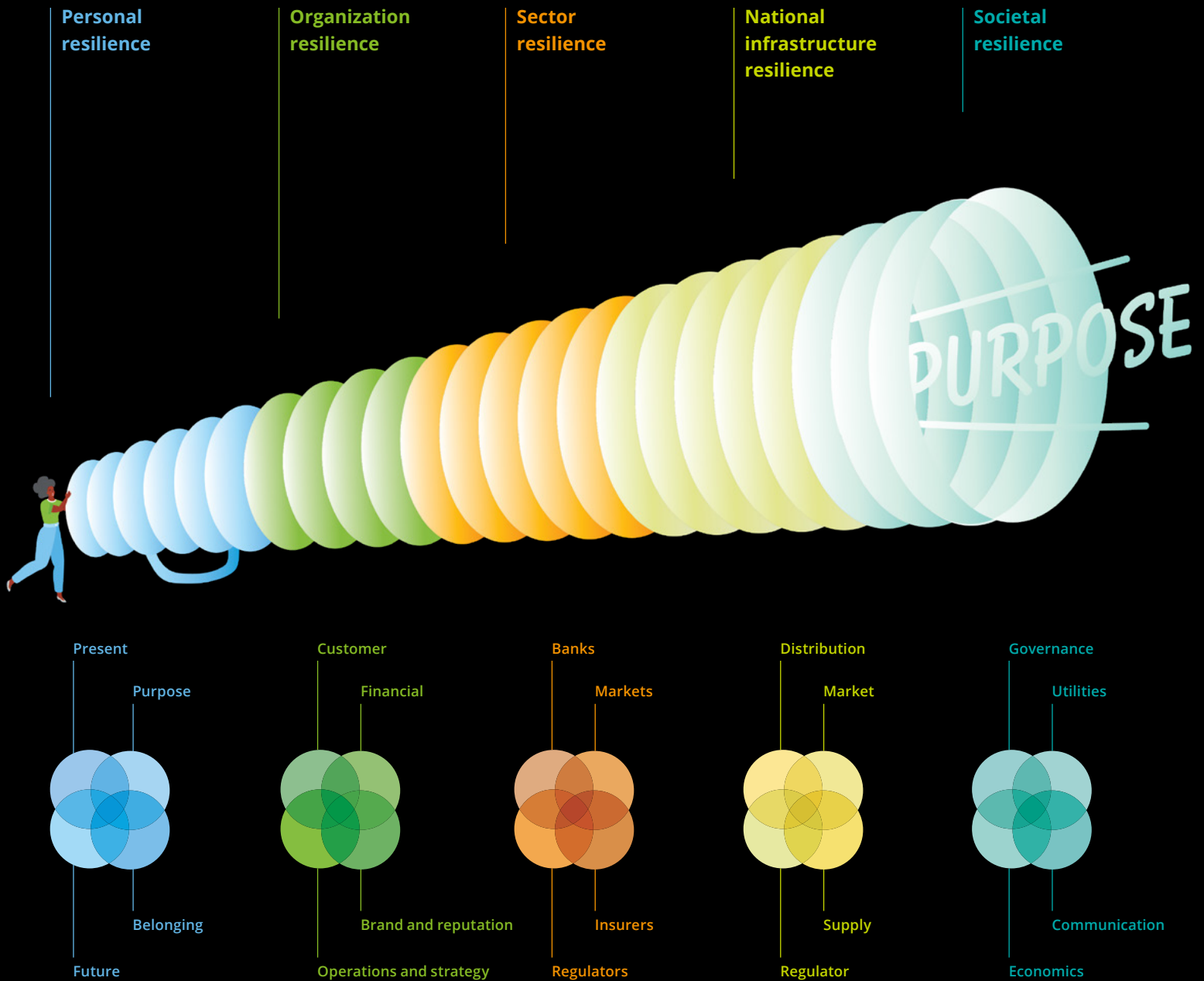
Each level of resilience influences the next from a return-on-investment perspective as well. We did some math to forecast what a proactive approach to resilience would mean for Canada on a national level. Our calculations largely focused on government actions and policies, but the data suggests that the right investment in national resilience could boost GDP by more than 1 percent per year over the next decade (an increase of more than \$350 billion in national GDP by 2030).³

How purpose can motivate workers

Our research shows that a purpose-oriented workforce tends to be one that seeks out challenging opportunities, engages in connecting with others to learn faster, and are overwhelmingly confident in its ability to learn and adapt—something that's critical in times of uncertainty.⁴ Our view is that organizations should, as a matter of course, be helping employees adopt new behaviours that use and develop enduring human capabilities such as curiosity, imagination, creativity, empathy, and courage.

Figure 1

Hierarchy of resilience: what makes an organization resilient?



Personal resilience

Resilience of individuals to recover, adapt and thrive in adverse circumstances and environments.

Organization resilience

An agile and resilient organization capable of responding to external forces and events, delivers evolving services to customers (that it truly understands and values) and is adaptable to respond to real and perceived disruptions and opportunities by design.

Sector resilience

Sector Resilience (e.g. Financial Services) the ability to withstand shocks and to adapt to the changing environment to mitigate risks and take advantage of opportunities.

National infrastructure resilience

Critical infrastructure elements of which are essential for the functioning of Sectors, society and the economy.

Societal resilience

Resilience of macro elements in the operational environment which affect stabilisation and social order (100 resilient cities program).

Resilience can mean different things—depending on the organization

In our view, resilient organizations and their leaders focus on the *what ifs* and the *what next* scenarios.

These scenarios can help anticipate shifts in the market, identify unexpected risks and interdependencies, or even provide foresight on opportunities related to supply chain, talent models, consumer expectations and engagement, and technology and business model evaluation.⁵ Indeed, it's not just about risks, it's also about opportunities.

Ultimately, however, resilience will mean different things to different organizations. Executives will need to take the time to assess what that is for their organization, their customers, suppliers, employees, and stakeholders, and what levers they can pull to deliver that resilience.

Resiliency challenges are typically viewed when organizations are faced with three distinct scenarios, each with their own drivers and requirements:

- **Resilience by design:** This is about designing and executing the long-term journey toward organizational resilience. Like any smart organizational strategy, activities and actions are aligned to the wider strategic plan and orchestrated to integrate into existing initiatives.
- **Resilience through change:** As the organization evolves, new pressures and new threats to resilience will emerge. Organizations will need to create an environment that enables flexibility to change while still maintaining a high level of resilience through any transformation it undertakes.
- **Resilience in adversity:** Equally important is to provide the adaptive capability to respond flexibly and at pace to emerging situations. This is about having the right governance, controls, contingency plans, and roles and responsibilities to meet adversity as it arises.

In assessing what this means for any given organization, it may be helpful for business leaders to consider the differences and similarities exhibited in industries:

- **Financial services** organizations already demonstrate significant financial resilience and have recently been working to develop greater reputational resilience by focusing on trust and customer-centricity. However, operational resilience continues to create challenges as banks, which are under the increasing scrutiny of regulators, work to move away from on-premises IT infrastructure and rethink the value of their branch networks. At the same time, the sharp acceleration of the digitalization agenda—tied to the quick decentralization of the workforce toward work-from-home models—heightens the need for cyber resilience. Hackers will be seeking to take advantage of any weaknesses. For financial services organizations, therefore, the focus will likely be on the operational resilience pillar.
- **Energy and natural resource** companies have demonstrated strong short-term financial and operational resilience by learning over time to adapt to extreme commodity price swings.

Though, recent trends in climate change indicate that some producers will find investment constrained as investors push for greater clarity in sustainability. They'll need to formalize environmental, social, and corporate governance (ESG) goals and strategies. The effort will be worth it, though; recent research by Blackrock shows that investment into sustainable funds increased 41 percent year-over-year, attracting a record US\$7.3 billion in the first quarter of 2020 alone.⁶

Reputationally, the challenge for most energy and natural resource companies is that they are starting from a net-debt position in their emission profiles. Driving change into large, complex, established operations may challenge the traditional fundamentals of financial and operational resilience as companies seek to diversify into new assets, markets, and technology.

- Likewise, companies in **consumer business** are feeling pressure across all three pillars of resilience. Those with strong digital capabilities and channels, tied to equally strong back-office and fulfilment capabilities, will likely enjoy a higher level of operational resilience. Financial resilience continues to be a challenge as customers change their buying patterns, switch channels, and delay purchases. Demonstrating that uncertainty can be converted into opportunity, reputational resilience remains strong for meaningful and purpose-led brands. Evidence suggests those with sustainably marketed products are seeing outsized growth. Unilever, for example, recently announced that its

purpose-led, sustainable brands are growing 69 percent faster than the rest of the business, and delivering 75 percent of the company's growth.⁷ As such, consumer business and retail organizations are increasingly focused on planning for different potential future scenarios and moving aggressively to execute strategies that deliver value regardless of what unfolds.

- For **government and public services**, resilience means something quite different. In many areas, government has an intrinsic responsibility to ensure the resilience of all critical industries, whether that is through regulation, legislation, investment, or the creation of processes and controls. Governments must also fortify their own operations to ensure service continuity through crisis. At the same time, they must actively encourage societal resilience through

investment, policy, and innovative public-private partnerships. Macroeconomic policy suggests financial resilience is not a current risk for government. And reputational resilience, while critical in building trust with communities and citizens, is less of a priority given governmental monopoly in certain areas. Operational resilience, particularly for frontline government workers, will require significant focus.



Is your organization resilient?

Ask yourself these questions:

1. Do I have a clear view of what financial, operational, and reputational resilience means for my organization?
2. Is my organization prepared, both operationally and financially, for another public emergency or crisis?
3. Is my infrastructure and service-provider ecosystem agile and ready for a variety of different events?
4. Am I aware of how changing market dynamics and evolving public views may affect my organization and its reputation?
5. Does the culture of my organization support resilience, in terms of both dealing with disruptive shocks (continuity) and adapting to economic, political, or cultural changes (adaptive capacity)?
6. Does my company stand for a purpose that stakeholders can believe in and support?
7. Am I currently taking a proactive and holistic approach to building organizational resilience and managing risk?

How to reimagine resilience for your organization

Our experience suggests it takes more than just a clear understanding of resilience and an executable action plan to create a resilient organization. Indeed, we have seen—even when all things are equal—some organizations struggle in crisis where others thrive.

We believe there are five ways executives can reimagine resilience in the strategy of their organizations. Our perspectives on how to do so include:

1

Be purpose-driven.

Purpose and passion encourage your people, your customers and your stakeholders to aspire to something more meaningful than their individual tasks. More than just a compelling corporate vision and culture, purpose-led organizations stand for something bigger than themselves and use their purpose as a defining decision-making lens. A company that stands up for something worth fighting for is better prepared to compete in this era of purpose, stakeholder value, and social uncertainty. Consider how you can reorient your organization as a “company for the people,” harnessing the power and resilience of stakeholders by fighting for the change people wish to see in the world.

2

Build stakeholder trust.

While purpose, when consistently and actively demonstrated, can certainly lead to enhanced stakeholder trust, the most resilient organizations are those that consider customer, employee, and regulator trust as tangible assets that contribute to the growth of their organization. Like resilience, trust must be deliberately built over time. Clear, transparent, and regular stakeholder communication is key, particularly in times of disruption and crisis. Consider how your organization creates the right balance between selling products and/or services and protecting what matters to people, based on a clear view of the value you deliver to customers and stakeholders.

3

Deliver resilient leadership.

As always, the right tone at the top is critical. The most successful organizations view resilience as an executive and board-level issue. They understand it is a journey and they work to shift their organization’s mindset from today to tomorrow, identifying and assessing all the implications along the way.⁸ Resilient leaders guide their teams to make and deliver clear choices, using their focus on purpose to drive toward their destinations and outcomes.



4

Understand the interdependencies that exist.

As noted throughout this article, resilience is not a single strategy that is achieved in a vacuum. There are interdependencies across the three pillars, between the three lenses, and up and down the hierarchy of resilience. That's a lot of interdependencies to assess, map, and monitor. However, each must be managed to achieve true resilience. Consider how to plan for these interdependencies in your resilience journey, taking care to include measurement and control mechanisms that allow the organization to pivot as required.

5

Confront uncertainty head-on and embrace creative disruption.

Rather than simply trying to maintain the status quo, consider how you can use resilience and uncertainty as an opportunity for reinvention. For example, think about how your organization could use virtual delivery models to drive resilience as well as provide a more efficient and effective customer experience. Or how you might enter new strategic alliances and create collaborative ecosystems that diversify networks and unlock new revenue-generating business models (or improved access to services) at the same time. Or how scenario-thinking and sensing capabilities can be used to strengthen the courage and conviction of executives to lead. Resilience isn't about locking in the status quo. Quite the opposite—it's about providing the organization the security to change and adapt.

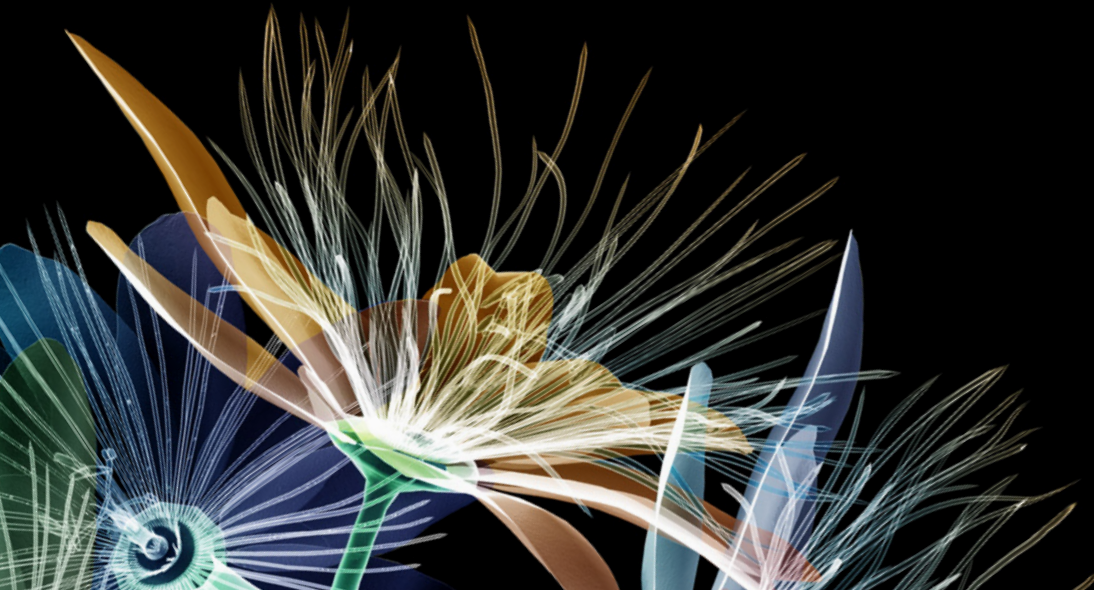
Seven ways to confront uncertainty

1. Consider uncertainty under different time horizons
2. Identify the principal uncertainties for your industry and business
3. Use the uncertainties to envision multiple different futures
4. Seek diverse perspectives
5. Incorporate scenarios into decision-making
6. Understand the implications of different decisions
7. Make choices and monitor progress

Bet on resilience

The disruption that surrounded COVID-19 served as a wake-up call for many executives. Don't waste the lessons. Organizations should consider using this event as a catalyst to take a more holistic and proactive approach to managing risk, one that prioritizes resilience and creates purpose within the organization.

As the C-level executive at that Canadian financial institution suggested, luck may play a small role. But what allows companies to thrive in the face of adversity is counting on their own resilience, not the hope for luck.



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Footnotes

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