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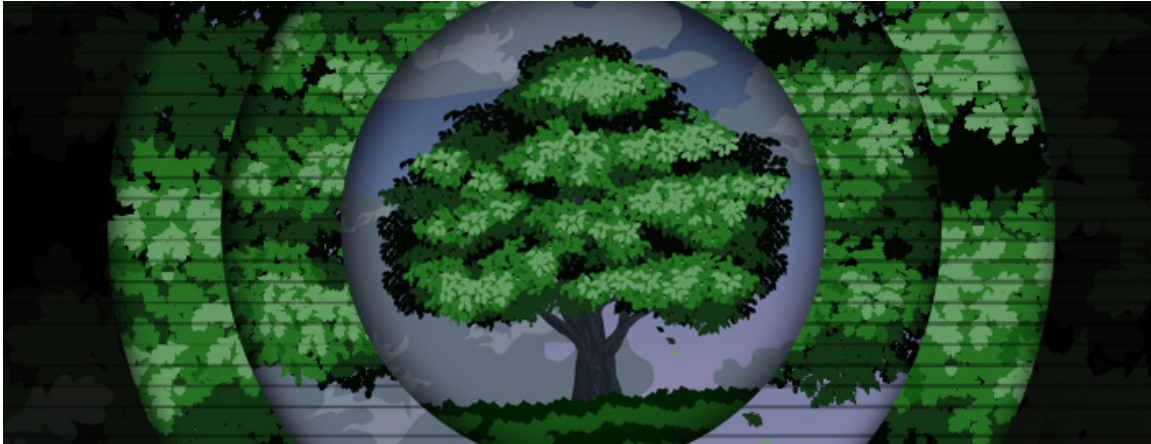


Building The Resilient Organization

2021 Deloitte Global Resilience Report

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Resilience in an age of disruption

Letter from the Deloitte Global CEO

DISRUPTION CAN CREEP like the ocean’s rising tide or suddenly overwhelm like a storm surge. On rare occasions, as the past 12 months harshly reminded us, it can do both at the same time.

Few organizations were adequately prepared for the turmoil that inundated global markets in 2020. The confluence of a global health pandemic, social and political unrest, and worsening climate events upended the private and public sectors around the world. Mounting challenges during the year expanded the concept of preparedness in ways many leaders didn’t anticipate and pressured them in ways many couldn’t imagine.

For this report, Deloitte Global surveyed 2,260 private- and public-sector CXOs in 21 countries and spoke to C-suite executives across multiple industries to examine how leaders and their organizations are grappling with the “new normal” as they face tough choices, explore new ways of operating, and confront fundamental shifts in their strategies.

These are important issues because most global CXOs believe 2020 may not be an outlier.

More than six in 10 of those we surveyed said they think we’re likely to see either occasional or regular disruptions of this scale going forward, and three quarters said they believe the climate crisis is of similar or greater magnitude compared to the COVID-19 pandemic.

Ultimately, this is a study of resilience. It confirms that organizations that plan and invest in anticipation of disruption—whether it’s gradual transformation or a sudden pandemic—are better positioned to adapt, rebound, and endure. It validates the notion that an ounce of prevention is worth a pound of cure. And it offers proven lessons for increasing organizations’ viability and health during adversity.

A handwritten signature in black ink, appearing to read 'Punit Renjen', written in a cursive style.

Punit Renjen
Deloitte Global CEO

Introduction

What do resilient organizations look like?

“Once you’ve gone through a period of disruption on the scale that we have in 2020 and seen how you can be more resilient, it really changes you. You see how resilience can make your business more flexible, adaptable, and forward-thinking, and you can’t go back to how it was before.”

— *Greg Tretiak, executive vice president and CFO, Power Corporation of Canada*

IN THE WAKE of a tumultuous 2020, Deloitte Global’s fourth annual readiness report explores the concept of organizational resilience.

We wanted to know how organizations were coping with the unexpected challenges they faced in the past year and tap their opinions about what made their organizations more or less able to withstand chaos. From that analysis, we sought to identify what traits define resilient organizations—traits business leaders can emulate to build greater resilience into their own companies.

We identified five attributes of resilient organizations that enable and promote nimble strategies, adaptive cultures, and the implementation and effective use of advanced technology. Businesses that can bounce back from unexpected challenges typically are:

- **Prepared.** Most successful CXOs plan for all eventualities, both short and long term. More than 85% of CXOs whose organizations successfully balance addressing short- and long-term priorities felt they had pivoted very effectively to adapt to the events of 2020, whereas fewer than half of organizations without that balance felt the same.
- **Adaptable.** Leaders recognize the importance of having versatile employees, especially after a year like 2020. To that end, flexibility/adaptability was, by far, the workforce trait CXOs said was most critical to their organizations’ futures.
- **Collaborative.** CXOs indicated the importance of collaboration within their organizations, noting that it sped decision-making, mitigated risk, and led to more innovation. In fact, removing silos and increasing collaboration was one of the top strategic actions CXOs took before and during 2020.
- **Trustworthy.** CXOs understand the challenge of building trust. More than a third of responding CXOs were not confident their organizations had done good jobs developing trust between leaders and employees. Those who are succeeding are focusing on improving communication and transparency with key stakeholders, as well as leading with empathy.
- **Responsible.** Most CXOs acknowledge that the business world has a responsibility beyond the bottom line. Eighty-seven percent of surveyed CXOs who said they have done very well at balancing all of their stakeholders’ needs also felt that their organizations could quickly adapt and pivot in response to disruptive events. That’s nearly 50 percentage points more than the proportion of CXOs who said the same at organizations that haven’t done well at balancing their stakeholders’ needs.

Most resilient organizations focus on all of these traits to some degree, not just one or two of them. In part, this is because these characteristics often overlap and support one another. For instance, companies that practice stakeholder capitalism almost surely are focused on trustworthiness and ethical behavior.

Further, these five attributes aren't immutable, nor do they just occur organically. They require desire, effort, investment, and action to cultivate and maintain. The survey suggests that organizations that deliberately build these attributes into their mindsets and cultures are better positioned to overcome disruptions and help usher in a "better normal" post-pandemic. For example, CXOs who said their organizations had done very well in cultivating resilient cultures were about three times more likely than those lacking resilient cultures to say they weathered the events of 2020 well.

Perhaps most importantly, the data suggests that speed matters. Organizations that made early investments in resilient strategies during the COVID-19 crisis—or even better, had already made

strategic, workforce, and technology investments in capabilities that enhance resilience—outperformed their competition. This finding points to a fundamental lesson that the pandemic brought home: that resilience is as much about thinking ahead as it is about doing what it takes to respond and recover from a crisis.

Leaders can't be sure their organizations are truly resilient until they're tested by adversity.

The toughest and most important test most have ever taken arrived in 2020 and confirmed for some CXOs that their organizations are more resilient than they realized. Before 2020, only 24% of CXOs felt completely ready to lead through potential disruptions, and only 21% felt completely confident their organizations could quickly adapt and pivot, if needed. In the midst of the pandemic, however, these numbers jumped to 34% and 30%, respectively, indicating that the events of 2020 have given some CXOs a confidence boost about their organizations'—and their own—resilience. Yet, that still leaves 66% of CXOs who don't feel completely ready to lead and 70% who don't have complete confidence in their organizations' ability to pivot and adapt to disruptive events.



Attributes of resilience

Prepared

“When the pandemic hit, one of the first things we did was pull together a cross-functional team to build a number of protocols—things that we thought we might need. We didn’t actually know we were going to need them until we closed the offices, at which point we were very relieved we’d planned ahead and for multiple scenarios.”

— *Hollie Castro, senior vice president of Talent and ESG, YETI*

It’s no secret that effective management in the business world is predicated on strategy and preparation. Like a chess grandmaster, a successful CXO thinks several moves ahead, sets long-term goals for future plays, and assesses risks and opportunities based on an array of potential scenarios and the competitive landscape. The organizations that anticipate and plan ahead for disruption, challenges, and opportunities will almost certainly be the most resilient.

PREPAREDNESS MEANS ACTING EARLY

The most successful CXOs plan for all eventualities, both short and long term. Our survey found that more than 85% of CXOs whose organizations successfully balance addressing short- and long-term priorities felt they had pivoted very effectively to adapt to the events of 2020, whereas fewer than half of organizations without that balance felt their organizations adapted well.

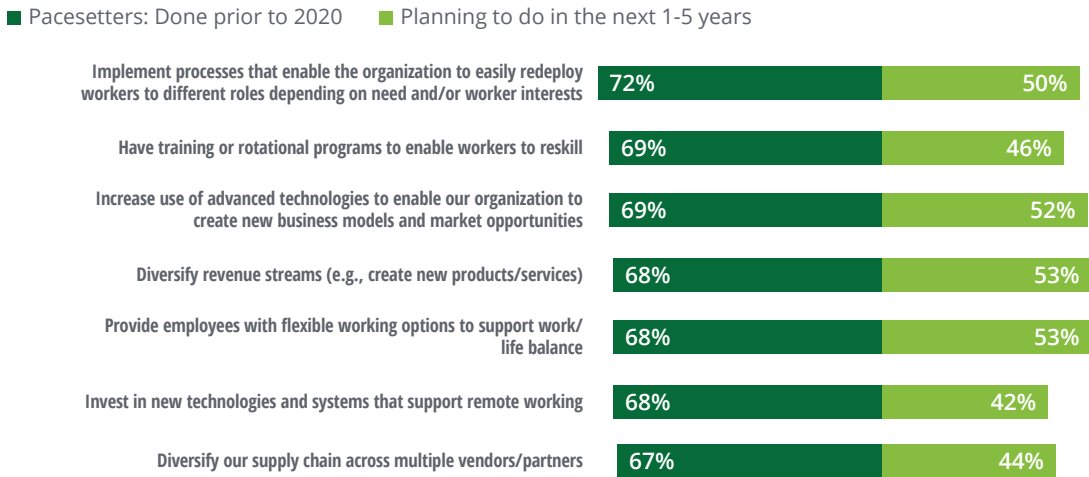
To get a sense of what enabled business resilience before, during, and after 2020’s disruptive events, we asked leaders to tell us what key actions they’d already taken or were planning to take in making strategic, workforce, and technology investments. These included actions that suggest foresight and preparation, such as using technology to create new business models, diversifying supply chain functions, and investing in remote-working capabilities to support workforces and day-to-day operations (Figure 1).

Across the key actions, we found that pacesetters—organizations that were actively planning investments in these processes in 2020 or had already acted prior to 2020—were better able to weather the events of 2020 compared to those that hadn’t yet taken action.¹

FIGURE 1

Companies that took key actions before 2020 were more likely to say that they are weathering the pandemic well or very well

Percentage of CXOs who said their organizations are weathering the events of 2020 well/very well, as compared to their competitors/peers:



Source: Deloitte Global analysis.

A PLAYBOOK FOR DISRUPTION— AND FOR THE FUTURE

While few organizations may have thought to prepare for a pandemic, many of the strategic actions listed in Figure 1 can also help organizations plan for and navigate other kinds of disruptions, such as increased competition and technological upheaval from Industry 4.0. Just as sports teams design playbooks for each game tailored to their opponents, resilient organizations should prepare playbooks that anticipate potential events.

HSBC, for example, had already been well-steeped in its digital transformation before the pandemic. As HSBC Canada CEO Linda Seymour explained: “Externally, our customers saw no disruption to our services during the pandemic because of our digital investments over the years. And from an internal

perspective, we invested in processes and technology in advance that allowed us to easily transition 95% of our office-based staff to home working in 2020.” Sumitomo Corporation also engaged in digital transformation before 2020, a decision that CFO, Masaru Shiomi, said will help fuel growth for the company throughout and beyond the pandemic.

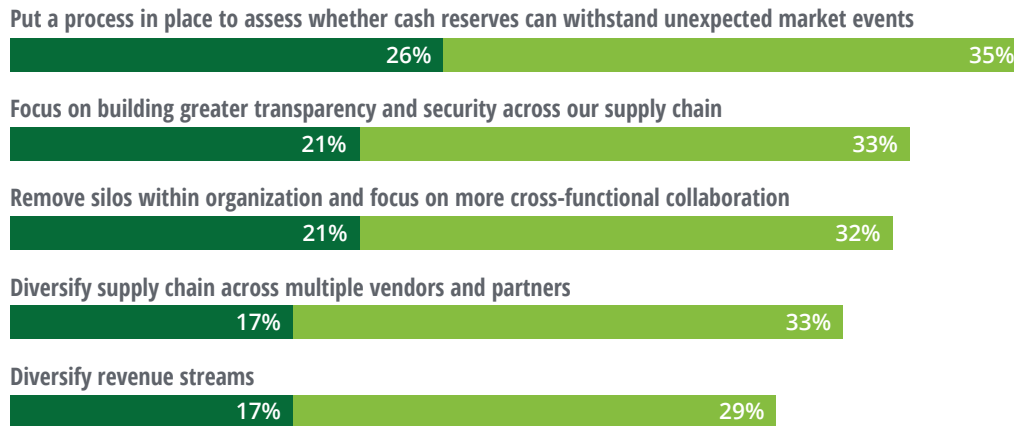
Scenario planning is key to planning ahead: It not only helps leaders plan for disruption, but also helps them anticipate and prepare for what organizations will need to survive and thrive in the future. For Power Corporation of Canada, regular stress tests compelled them to think about what the world might look like in five to seven years and longer, informing not only their technology and digitization efforts, but also their M&A strategy and talent investments.

FIGURE 2

2020's disruptions prompted many organizations to invest in preparedness and resilience

Has your organization implemented the following strategic activities to make it more resilient and prepared for disruptive events?

■ Done prior to 2020 ■ Done in 2020 or in progress



Source: Deloitte Global analysis.

Leaders who acted prior to 2020 were in the minority of those we surveyed, pointing to leaders' frequent struggle to move beyond short-term thinking. Yet, we are beginning to see a shift. The events of the past year have prompted more companies to act. For example, while only around a quarter of the CXOs we surveyed said that they had put a process in place to stress test their cash reserves before 2020, 35% began to implement this process in 2020. Similarly, the number of organizations focusing on building greater transparency and security across their supply chains significantly increased in 2020 (Figure 2).

RECOMMENDATIONS FOR BUSINESS LEADERS

An essential starting point for developing a mindset and culture of preparedness is to create comprehensive crisis response scenarios and playbooks that map out potential risks, both internal and external.

These playbooks should analyze the organization's biggest risks and provide standard operating procedures to follow if a crisis occurs. While playbooks may not be able to anticipate every possible scenario, a comprehensive, regularly updated analysis should provide enough of a starting point to put CXOs on better footing should the unexpected occur. Hosting regular crisis simulations with key decision-makers across functions and departments will also advance an organization's preparedness.

In addition, organizations can strengthen their resilience to risk events through actions that, while not geared toward preparing for any specific crisis, broaden their overall range of available options. Examples of such actions include diversifying supply chains and revenue streams, investing in worker reskilling and mobility, and increasing the use of technology to enable new business models.

Adaptable

“We had to adapt quickly. Things we were planning to do over the next five years, we had to advance them in a matter of months. The pandemic, as well as client expectations, made capabilities like communicating electronically, which we’ve been working on for many years, imperatives.”

— *Greg Tretiak, executive vice president and CFO, Power Corporation of Canada*

Adaptability may be the most obvious of the five resilience characteristics, but it also may be the most difficult to achieve. Not every organization can easily take big actions quickly, such as pivoting toward new revenue streams or swiftly redeploying workers to more urgent jobs and tasks when their primary roles become temporarily unavailable or not needed.

When the pandemic reached its first peak in early 2020, the media focused on stories like distilleries foregoing production of their regular products to instead make hand sanitizer, or apparel and auto manufacturers shifting their output to masks and ventilators. But, these kinds of transitions are rare and while they may have met short-term needs, they were not necessarily intended to ready organizations for the future business landscape. They’re admirable, but not necessarily adaptive beyond their aim to address the immediate situation.

Longer-term adaptability considers both what’s necessary in a current crisis and what may be necessary to deal with future disruptions. For instance, it could mean implementing the technology and processes to handle increased online orders when physical locations cannot serve customers, or developing transferable skills among employees so that those whose jobs are endangered can assume different duties.

AN ADAPTABLE WORKFORCE BEGETS A RESILIENT CULTURE

Leaders recognize the importance of having versatile employees, especially after a year like 2020. In fact, “flexibility and adaptability” was, by far, the workforce trait CXOs said was most important to their organizations’ futures. Fifty-four percent selected it as one of the top-three most critical workforce traits—significantly more than those who identified “expertise and proficiency in the roles for which employees were hired” or “[having] values that align with our organization” (Figure 3). As YETI’s Castro confirms, “To succeed in this environment, organizations need people who are agile, comfortable with ambiguity, and able to move and change on a dime.”

The ways companies develop their people, not surprisingly, have a huge impact on their ability to adapt quickly to circumstances. We asked CXOs whether they had already implemented or were planning to put in place a number of actions or programs to make their workforces more adaptable—including implementing processes to easily redeploy workers to other roles or projects, maintaining training or rotational programs to enable reskilling, and providing workers with flexible work options.

FIGURE 3

"Flexibility/adaptability" was ranked the most critical workforce trait for an organization's future

Given the events of 2020 and planning for the future, which of the following workforce traits have become most critical to your organization? (Select top 3)



Source: Deloitte Global analysis.

Our findings point to a relationship between developing workforce adaptability and having a resilient culture. Nearly three out of four respondents from organizations that had already implemented these actions said their organizations

are doing a good job of cultivating resilient cultures (Figure 4). On the other hand, among CXOs at organizations that didn't have such programs in place, only about half claimed they had resilient cultures.

FIGURE 4

Workforce adaptability is one driver of a resilient culture

Percentage of CXOs who said they have cultivated resilient cultures indicating whether their organizations have implemented the following flexible workforce actions



Source: Deloitte Global analysis.

BUILDING ADAPTABILITY INTO CORE STRATEGIES AND OPERATIONS

Organizations can also build adaptability into other areas of their businesses. For instance, they can diversify their operations, including their revenue streams and supply chains, to hedge their bets in case of disruption. They could also embed advanced technologies into their core strategies to become more agile. As Caroline Tose, COO, HSBC Canada said: “We had a transformation plan in place, but when the pandemic hit, we put some of it on hold and fast-tracked other parts of it, especially in the digital space. We looked across all our businesses and functions to see where we could be smarter.”

As with preparedness, it’s important to act early, which leads to greater adaptability in face of

a crisis. Seventy-five percent of surveyed CXOs at organizations that diversified their revenue streams prior to 2020 agreed their organizations could quickly adapt and pivot in response to disruptive events. Likewise, 78% of CXOs from organizations that diversified their supply chains prior to 2020 said they were doing well at adapting to disruptive events. On the other hand, among CXOs who planned to delay diversifying their supply chains for one to five years, only about half said their organizations were doing well at adapting.

The story is similar with regard to technology. Seventy-six percent of CXOs who said their organizations had done very well at embedding advanced technologies into core business strategies to become more agile also said they are weathering the events of 2020 better than their peers.

ADVANCED TECHNOLOGIES AID ADAPTABILITY IN MULTIPLE WAYS

Embedding advanced technologies—cloud, robotics, analytics, AI and cognitive technologies, nanotechnologies, quantum computing, blockchain, sensors, and IoT—into core operations can provide organizations with a number of benefits, as our past readiness reports² have shown. These investments can increase revenue and reduce costs, build security and transparency into supply chains, allow organizations to better predict supply and demand and track system performance, and much more—all of which can increase an organization’s adaptability.

RECOMMENDATIONS FOR BUSINESS LEADERS

Instead of hiring talent for specific skillsets, organizations should pivot to hiring for specific mindsets, one of which should be adaptability. This may mean having HR rethink traditional job descriptions and application requirements, which would likely widen the pool of applicants and increase diversity. Organizations should also consider developing training or rotational programs or building talent marketplace platforms³ that allow workers to learn new skills and capabilities, which can improve organizations’ abilities to easily redeploy workers depending on business needs and worker interests.

Other actions organizations can take to improve adaptability, such as diversifying operations and leveraging advanced technologies, parallel those discussed in the context of preparedness. Key to being prepared and adaptable is taking such steps proactively rather than waiting until a crisis hits.



Collaborative

“Collaboration is key in this new world. The people who will succeed in the future are those who are focused, not just on their own jobs and agendas, but on the bigger-picture goals, as well. They are able to listen, collaborate, and understand what others are trying to accomplish. It’s about working together to achieve mutual goals which, in turn, benefits everyone.”

— *Rahim Hirji, chief risk officer, Manulife*

Collaboration is an important element of resilience for at least two reasons. First, collaboration is important in decision-making and communication: When people work together, more perspectives can be surfaced in the decision-making process, and information can be disseminated more quickly. And second, collaboration can help an organization marshal resources from different areas to provide business continuity. For instance, when a well-connected company feels stress in one area—say, supply chain—the sales department can anticipate and react to the eventual effect that will have on customer fulfillment. Siloed organizations may struggle to make those adjustments, making them less able to react to disruptive events.

COLLABORATION WITHIN AND OUTSIDE THE ORGANIZATION

The CXOs we surveyed noted the importance of collaboration within their organizations. In fact, “removing silos within our organization and focusing more on cross-functional collaboration” was a top strategic action that CXOs were focused on both before and during 2020. Our research also validated that collaboration improved resilience. Two-thirds of surveyed CXOs who said their companies removed silos in their organizations before the pandemic reported weathering the events of 2020 better than their peers. This was more than 20 percentage points greater than the proportion of CXOs (45%) whose organizations were only planning to implement greater collaboration in the next one to five years.

Collaboration can increase resilience both by helping organizations make decisions and communicate more effectively, and by fostering a sense of trust among employees. When the pandemic hit, many CXOs realized they needed to speed decision-making and improve communication within their organizations. To do this, companies such as Manulife and YETI began holding daily meetings among their senior management teams, which enabled quick issue escalation and remediation, as well as improved communication and problem-solving. But the bigger payoff may have been in the area of trust. According to YETI’s Castro, “The collaboration and trust built among the leadership team trickled down throughout the organization, leading to a more resilient workforce.”

As we discussed in last year’s report, it’s also critical for organizations to collaborate with others within and beyond their own industries rather than tackle big challenges—or big disruptions—alone.⁴ For instance, Power Corporation of Canada, an international management and holding company that focuses on financial services in North America, Europe, and Asia, regularly conducts stress tests (including a pandemic-related exercise) and develops corresponding remediation plans. Going through these exercises prior to 2020 not only allowed the insurance business to anticipate a scenario that became very real in 2020, but also meant that it could share these lessons with the other companies under Power Corp’s management, building resilience across the group.

TECHNOLOGY THAT ENABLES COLLABORATION

People need the right technologies to help them work together, even when they're physically together. It becomes much more complicated when they're not. The concept of "siloeing" gained a different meaning in 2020 as many organizations were forced to shutter their offices, leaving employees scattered and isolated. The cohesiveness created in the office environment took a serious hit, accelerating the need for technologies that could try to replicate collaborative work processes.

Just 22% of CXOs in our survey said their organizations had the technologies (such as cloud-based tools and platforms, teleconferencing capabilities, and cybersecurity controls) they needed to facilitate remote working before the pandemic. Forty-two percent said that they did not have such technologies before the pandemic, but developed them out of necessity during the year, while another 23% planned to invest in these technologies in the six to 12 months after they were surveyed. Only 3% said they had no plans to invest in remote-working technologies, which is noteworthy considering how many jobs throughout society have traditionally required in-person attendance.

As the statistics in Figure 5 show, the pandemic has likely increased the number of roles that will remain remote once lockdowns and other restrictions end, so these investments will continue to be increasingly important going forward. As Sumitomo Corporation's Shiomi notes: "After the pandemic, there will always need to be some face-to-face communication with our people and customers. But, we will increasingly need to balance digital and traditional avenues of

communication and collaboration." As they look to collaborate differently going forward, companies need to make smart choices about the channels they use to talk to their employees and customers.

Among leaders who said they had invested in technologies and systems that support remote working prior to 2020, 79% also said their organizations could quickly adapt and pivot in response to disruptive events—a strong indicator of the relationship between technology, collaboration, and resilience. Early adopters likely not only had the digital-first infrastructure in place to enable remote work, but also a digital-first workplace culture and capabilities. Nobody needed to teach the workforce at those organizations how to work remotely—they already knew.

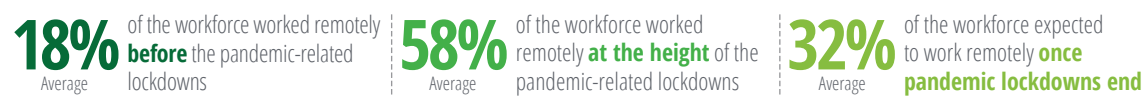
RECOMMENDATIONS FOR BUSINESS LEADERS

Removing internal silos across functions and levels is key to increasing collaboration and building resilience. One way to do this is by holding frequent meetings with leaders across functions to help solve problems and raise issues that maybe were previously siloed. Additionally, conducting stress tests or holding crisis simulations that involve leaders across functions can help organizations learn how to better work together in times of crisis. Organizations can also speed collaboration by investing in the technologies needed to facilitate collaboration, no matter what the working environment. Additionally, leaders can consider how they can team up with external organizations to reduce the likelihood and impact of risk events, as well as address industry or social challenges that are too big to solve alone.

FIGURE 5

Remote work will likely be much more common post-pandemic than pre-pandemic

Average percentage of workforce working remote before, during, and after lockdowns



Source: Deloitte Global analysis.

Trustworthy

“Trust is built in normal times, but it’s really tested during the hard times. When you can stand by your people and your clients in times like these, you really earn that trust and strengthen your relationships more than ever before.”

— *Linda Seymour, CEO, HSBC Canada*

Research has shown that trust in businesses, government, media, and other powerful establishments has eroded over the past decade.⁵ Most people no longer feel these institutions are ethical, competent, or socially conscious, and a skepticism that the events of 2020 and early 2021 have only deepened.

CXOs in our survey recognize the challenge. For example, more than a third of respondents were not confident that their organizations had maintained trust between leaders and employees. Those who are succeeding told us they were focusing on improving communication and transparency with key stakeholders and leading with empathy.

Our view is that cultivating trust is actionable.⁶ Leaders can take specific steps to instill and build trust among their stakeholders—customers, employees, vendors, regulators, communities, and investors and shareholders—by considering their needs across three dimensions of trust: physical, emotional, and digital. In the context of the pandemic, these dimensions were particularly important. Many organizations had to grapple all at once with concerns about the physical safety of their employees and customers, the mental health and morale of their employees, and the security of their data, especially with the massive shift to remote working.

PHYSICAL

The physical safety of employees and customers remains a vital component of trust and is central to any appropriate post-pandemic response and reentry strategy.⁷ We asked CXOs to rate how well they thought their organizations had done in a number of workforce-related areas, and “keeping employees safe” ranked highest among all of these areas: 77% of CXOs were confident they had done a good job in this area. Similarly, 74% of CXOs felt their organizations have done a good job keeping their customers or clients physically safe. Yet, that leaves about a quarter of CXOs who felt their organizations could have done more to protect their people and their customers.

Protecting the physical safety of stakeholders is an important factor in building resilience. More than 72% of respondents who felt their organizations kept their employees and customers or clients safe also believed their organizations have done very well in weathering the events of 2020.

“Our stakeholders have put a lot of trust in our organization,” said Rahim Hirji, chief risk officer, Manulife. “That’s been particularly critical during the pandemic. We strive to be open and transparent with our people and customers, telling them both what we know and what we don’t know.”

Transparency and open dialogue is also important for HSBC Canada. COO Tose notes: “For us, the key was listening to our employees, conducting surveys, and being open and honest in our communications. We’ve looked at mindfulness [and] well-being. Our employees have recognized our efforts and trusted that we weren’t going to force them to do something, such as go back to the office, before they were ready.”

EMOTIONAL

Though the COVID-19 pandemic pushed mental health to the forefront of the public’s consciousness, it was a massive challenge before the pandemic, as well. The 2020 Deloitte Global Millennial Survey,⁸ conducted both before and after the start of the pandemic, confirms this among the millennial and Gen Z demographics. The survey found that even before the pandemic, a large number of millennial and Gen Z workers were frequently suffering from stress and anxiety—common factors that contribute to mental health challenges.

This resilience survey found that “providing employees with stress and mental health resources” was the most frequently cited workforce activity that organizations conducted before and during 2020. However, 40% of surveyed CXOs felt that the mental health or stress resources they provided to employees were either not adequate or simply OK, and 37% felt they didn’t do a great job maintaining employee morale.

Fostering emotional well-being can yield dividends in increased organizational resilience. Leaders of organizations that help employees achieve peace of mind were more likely to say that they exhibit key resilience indicators. For example, 82% of CXOs whose organizations had done very well in providing adequate mental health resources also felt that their organizations could adapt quickly and pivot in response to disruptive events. Only 44% of CXOs

who did not feel their organizations provided adequate mental health resources said the same.

DIGITAL

The rush to remote working that came with the pandemic led many organizations to worry about cybersecurity issues. Yet, despite ongoing efforts, just 55% of surveyed CXOs felt their organizations had done well or very well in managing cyber threat detection, remediation, and prevention. Out of that group, 72% said they were weathering the events of 2020 well compared to peers. In contrast, only 35% of the CXOs who said their organizations had not done a good job handling cybersecurity issues felt they were weathering the events of 2020 well.

Trust in technology, especially in the age of Industry 4.0, goes beyond cybersecurity. Organizations also have to contend with the ethical implications of their advanced technology investments. Organizations that focus on keeping ethical principles in mind (such as safeguarding privacy or working to eliminate bias in algorithms) when implementing advanced technologies appear to enjoy greater resilience. Among surveyed CXOs, nearly 85% of those who said their organizations had done a good job implementing ethical tech also said they adapted and pivoted well in response to disruptive events of the past year.

Digital technologies can also be used to help expand trust in areas such as the supply chain. Fifty-nine percent of CXOs said they were focused on increasing the use of advanced technologies in their supply chains to enable better transparency and security. Only 16% of CXOs had already put these tools in place within their supply chains before 2020, though the survey shows those who did are weathering the events of 2020 better than those who lagged in this area.



RECOMMENDATIONS FOR BUSINESS LEADERS

Remembering that trust is actionable, CXOs should have a plan in place to maintain or develop trust among each of its three dimensions. While having a crisis response playbook will help organizations anticipate what to do if any of the dimensions are at risk during a crisis, leaders should not wait for a crisis to occur to start to build up trust.

Questions CXOs may want to consider include:

- Are we providing a safe environment for our workers?
- Are we instilling ethical principles into our advanced technology?
- Is our supply chain transparent?
- What cybersecurity protections do we have in place to support our customers' and employees' privacy?
- What mental health resources are we providing our employees?

Perhaps most importantly, CXOs who lead with empathy and commit to regular and transparent communications with their stakeholders will go far in strengthening trust.

Trust is actionable. CXOs should have a plan in place to maintain or develop trust among each of its three dimensions.

Responsible

“We have a responsibility to a large ecosystem of stakeholders to advance a more equitable, just and sustainable economy. So, we’re focused on minimizing the negative impact of our business and making a positive impact across the company’s entire value chain for the long term.”

— *Hollie Castro, senior vice president, Talent & ESG, YETI*

Today, most CXOs acknowledge that the business world has a responsibility beyond the bottom line. Stakeholders expect institutions to align their actions to a higher or meaningful purpose and put the needs of their customers, employees, contractors, communities, and the planet at the forefront.

This belief in “stakeholder capitalism” is popular with the younger generations that companies need to attract and retain to remain sustainable.⁹ This is one reason that being accountable to all stakeholders is a long-term resilience strategy. But, being responsible also correlates with the ability to cope with unexpected near-term disruptions beyond an organization’s control, such as social turmoil and climate-related disasters.

Eighty-seven percent of surveyed CXOs who said they have done very well at balancing the needs of all their stakeholders also felt that their organizations could quickly adapt and pivot in response to disruptive events. That’s nearly 50 percentage points more than the proportion of CXOs who said the same at organizations that haven’t done well at balancing their stakeholders’ needs.

“Regardless of a pandemic or any issue that may arise, if you put your customers and people first, it puts you in a better place moving forward,” said HSBC Canada’s Seymour.

SUPPORTING EMPLOYEES

As we’ve already discussed, employers who support their workers—by keeping them physically safe, providing adequate mental health resources, and enabling flexible work solutions—are more resilient. The survey also found that organizations that demonstrated a commitment to diversity and inclusion rated highly on the survey’s resilience indicators. This may be because diverse, inclusive workforces can lead to greater innovation and help companies anticipate and prepare for more variables than homogeneous employee groups may be able to do. The survey showed a strong relationship between organizational agility and the presence of an inclusive culture and a diverse workforce. Just 8% of CXOs from organizations lacking in inclusion and 22% of those from organizations lacking in diversity said their cultures were agile.

YETI is one company currently focused on advancing diversity, equity, and inclusion (DEI) both within and outside its organization. Its efforts include establishing internal DEI councils and employee resource groups, examining hiring and retention processes, and working with local organizations to help address systematic inequality. Another organization, Manulife, is advancing its DEI objectives by offering training on unconscious bias and DEI, working to ensure recruitment processes are free from bias, and ensuring strong executive support and board involvement.

SUPPORTING SOCIETY AND THE ENVIRONMENT

Overall, about 60% of survey respondents said their companies have done well or very well at honoring their commitments to help society. Organizations that are doubling down on their philanthropic efforts exhibit strong resilience indicators. More than four in five organizations that have done very well at balancing their financial performance with the needs of their communities have also done a good job cultivating agile cultures, according to the CXOs surveyed. Only about a quarter of those lacking that balance had similar cultures.

More than 60% felt they were honoring their commitments to protect the environment. One-third have already designed products and services in more sustainable ways (nearly another one-third have plans to do so in the next 12 months), and 28% are currently encouraging or requiring suppliers/partners to meet specific environmental-sustainability criteria.

CXOs note that their environmental investments can be beneficial to their business objectives, as well.

Sumitomo Corporation's Shiomi says, "We are seeking carbon neutrality by 2050, not only

because it's the right thing to do, but also because we believe a sustainable society will create additional business opportunities."

And HSBC recently formed a partnership with Pollination Group, a climate change advisory firm, to launch HSBC Pollination Climate Asset Management, a joint venture to create the world's largest natural capital manager and the first large-scale venture to make mainstream natural capital an asset class.¹⁰

DEMONSTRATING AUTHENTICITY

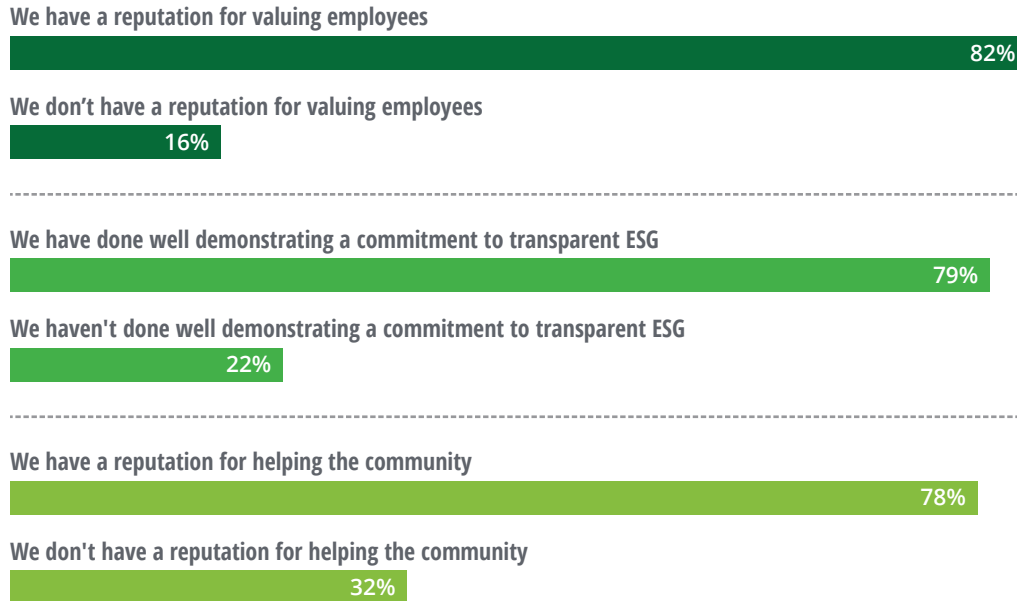
Cultivating a reputation for excellence, both as an employer and as a force for good in the world—and backing that reputation with real action—is a strong indicator of resilience across a number of areas. "Authentic" organizations—those with reputations for valuing employees, helping communities, and being transparent with stakeholders on environmental/societal/governance (ESG) issues—are more likely to score highly on key resilience indicators, especially having an agile culture. As shown in Figure 6, excellence in the "authenticity areas" of valuing employees, being transparent about ESG, and helping the community promotes cultures that breed resilience.

Employers who support their workers—by keeping them physically safe, providing adequate mental health resources, and enabling flexible work solutions—are more resilient.

FIGURE 6

Authenticity helps propel resilience

Percentage of CXOs—who said their organizations are cultivating resilient cultures—indicating whether they excel in the following authenticity areas:



Source: Deloitte Global analysis.

RECOMMENDATIONS FOR BUSINESS LEADERS

There are many ways to be a responsible organization. Environmental sustainability initiatives, providing adequate pay and benefits to workers, prioritizing mental health and wellness, and promoting diversity and inclusion are all components of responsibility. The most responsible and resilient organizations focus on

many of these areas at once. For organizations that are not sure where to begin, it might be worth asking millennial or Gen Z employees. As Deloitte Global's annual Millennial Survey has found year after year, these groups care deeply about societal impact and business responsibility, and they may provide a roadmap to help organizations understand where to focus their efforts.

The disruptions of 2020 have shaped CXOs' perceptions of top societal issues

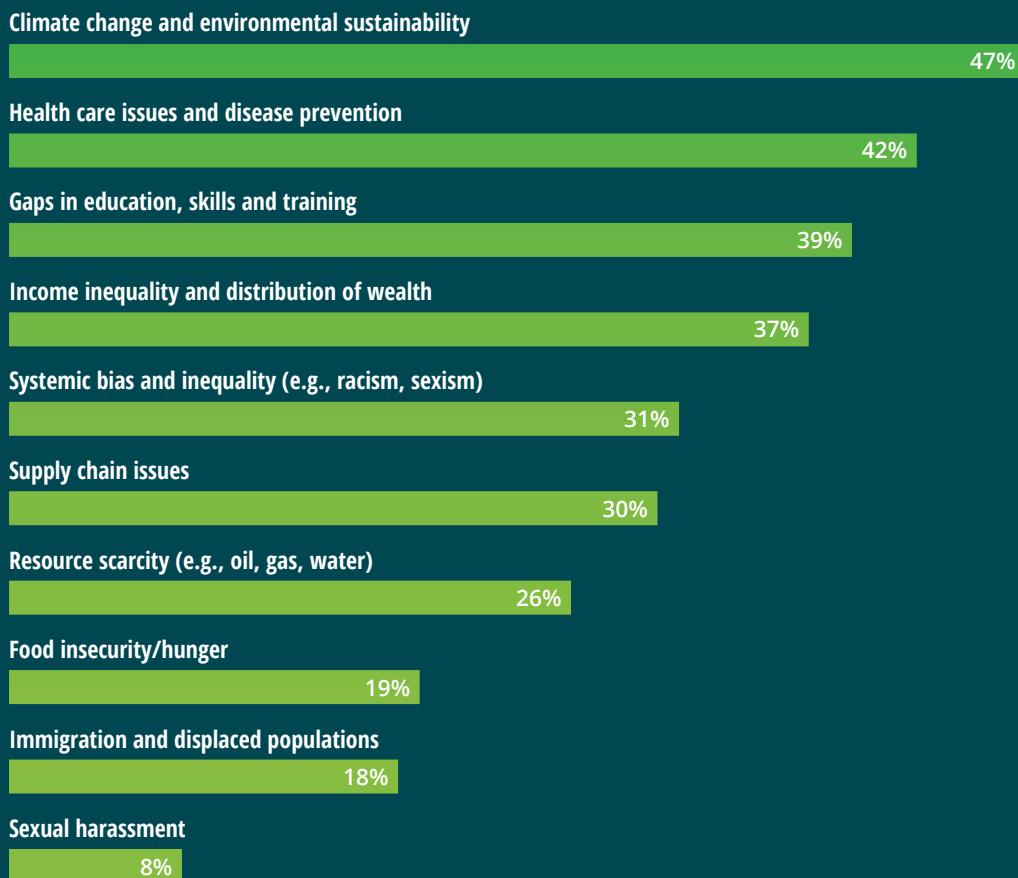
THE DISRUPTIVE EVENTS OF 2020 are reflected in the top societal issues identified by surveyed CXOs. The number-one issue respondents identified was climate change (Figure 7), which is consistent with recent research that confirms its importance to both business leaders and millennials. But, the issues of health

care and disease prevention were also top of mind among this year's respondents. Education, wealth inequality, and systemic bias rounded out the top-five issues, perhaps because of the disproportionate suffering experienced in 2020 by those who lag in education and income and who experience discrimination.

FIGURE 7

Respondents' rankings of top societal challenges reflect 2020's disruptive events

Which of the following societal issues do you believe will be the most critical for business to tackle over the next decade? (Select top 3)



Source: Deloitte Global analysis.

While the pandemic has grabbed many of the headlines, 2020 was also shaped significantly by social unrest and worsening environmental challenges. Many business leaders are attuned to

the need to eliminate systemic bias and promote environmental sustainability, as demonstrated by the activities most organizations are pursuing or plan to pursue in the next year (Figure 8).

FIGURE 8

Top actions to promote environmental sustainability and address systemic bias

Top-five actions organizations have already done or are currently doing as part of their environmental-sustainability efforts:

#1 Train employees to be environmentally sustainable

#2 Design products or services in more sustainable ways

#3 Address environmental sustainability at one or more board meetings during the year

#4 Encourage or require suppliers and partners to meet specific environmental-sustainability criteria

#5 Have a plan in place to reduce employee air travel even after the pandemic is over

Top-five actions organizations have already done or are currently doing as part of their efforts to alleviate systemic bias and inequalities:

#1 Fire employees (including senior leaders) for racist/biased comments or actions

#2 Address diversity and inclusion at one or more board meetings during the year

#3 Require employees and leadership to take ongoing training or educational sessions related to diversity and systemic bias

#4 Put in place specific hiring and retention goals to become a more diverse organization

#5 Put in place specific leadership representation goals to become a more diverse organization

Source: Deloitte Global analysis.

Moving forward

Building a resilient organization

“As we look to build on priorities going forward, we shouldn’t lose sight of what we have learned: staying connected to our customers, responding to changes in real time and not taking too long to make decisions, leveraging what we’ve learned to maintain business continuity, and using technology to its fullest potential. We must hold the mirror up and keep challenging ourselves to constantly improve.”

— *Caroline Tose, COO, HSBC Canada*

THE EVENTS OF the past year have taught many CXOs a great deal about themselves and their companies. The resilient leaders surveyed didn’t predict what would happen in 2020, but they made investments that enhanced the five attributes described in this report.

By striving to build organizations that had visionary strategies, that were good to their people, and that leveraged technology for competitive advantage, it turned out these leaders were also instilling resilience into their cultures and mindsets. This has allowed them to respond effectively to the current crisis and position themselves to eventually thrive.

Cultivating resilience begins with an honest assessment of whether, or to what degree, your organization is prepared, adaptable, collaborative, trustworthy, and responsible. If your organization comes up short in some areas, you can take action to plug the gaps:

- Create comprehensive crisis response and scenario playbooks that map out potential internal and external risks.
- Conduct regular crisis and scenario simulations with key decision-makers across functions and departments.

- Hire for specific mindsets instead of specific skillsets.
- Develop training or rotational programs that allow workers to learn new skills and capabilities.
- Eliminate internal silos and invest in technologies that promote collaboration.
- Seek relationships with like-minded organizations to tackle societal issues.
- Develop environmental-sustainability initiatives inside your organization.
- Build physical, emotional, financial, and digital trust with your stakeholders.
- Prioritize mental health, wellness, diversity, inclusion, and equality.

The attributes that strengthen resilience will serve companies well in the best of times, as well as the worst. Organizations that embrace them will be better prepared for change and disruption that are increasingly becoming the norm.

Endnotes

1. These results echo those of Deloitte Global's 2021 *Human Capital Trends* report, which found that organizations that were already pivoting investments to adapt to changing business demands and using technology to transform work were more prepared to weather the pandemic. Erica Volini, et. al., *2021 Deloitte Global Human Capital Trends, The social enterprise in a world disrupted: Leading the shift from survive to thrive*, Deloitte Insights, 10 December 2020.
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7. Natasha Buckley, Steve Hatfield, and Susan K. Hogan, *If we rebuild, will they come back?*, Deloitte Insights, 29 October 2020.
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9. Ibid.
10. Press Release, HSBC Global Asset Management & Pollination Launch Partnership to Create World's Largest Natural Capital Manager, 23 September 2020.

Methodology

This report is based on a survey of 2,260 C-level executives and senior public-sector leaders, including CEOs/presidents, COOs, CFOs, CMOs, CIOs, and CTOs. The survey, conducted by KS&R Inc., in July, August, and September 2020, polled respondents from 21 countries; 45% were from Europe/South Africa, 28% from the Americas, and 27% from Asia Pacific. All major industry sectors were represented in our sample. Additionally, KS&R and Deloitte conducted select, one-on-one interviews with global industry leaders and academics.

All private-sector respondents came from organizations with annual revenues of US\$500 million or more, with nearly a third (31%) coming from organizations with revenues of more than US\$5 billion. One in five private-sector respondents had the title CEO/president, another 17% were CFOs, and 16% were CIOs.

Among the public-sector leaders surveyed, 40% represented organizations and agencies with budgets of US\$1 billion or more. Twenty-one percent of public-sector leaders surveyed were CIOs and 19% had the titles of director or deputy director.

Thirty-eight percent of respondents were between the ages of 45 and 54, the largest segment represented. Twenty percent of the respondents this year were women.

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