



Forget the crystal ball

Organisational resilience is not about accurately predicting the future – it is about building a capability to respond

Writing **Monte Maritz**

Organisational resilience is often defined as the ability of an organisation to survive, and prosper, in an ever-changing world. Most leaders know they are the custodians of this resilience, although the challenge is not in the knowledge, but in the delivery.

In our modern world, organisations are confronted with change every day. This may be due to the evolution of consumer preference, technological advances, the emergence of new competitors, or the impact of external events, such as Covid-19 and Brexit. Regardless of the cause, the ability to adapt and respond is critical to business success.

Organisational resilience is not about accurately predicting the future. It is about building a capability to respond. It is also about under-

standing what we can and should control, managing variability within organisational capability, and developing an ability to continuously reflect on the future and its impact, while encouraging the same in our people.

Continuous reflection

In a changing world, resilience cannot just be about targeted risk management, safe choices and executive oversight. Rather it is about being confident that the business has strong values, aligned processes and the ability to make calm responses – even when the change is disruptive.

A misunderstanding of organisational resilience can spill over into the approach taken by finance and IT teams. In a changing world, finance teams should ensure decision processes are efficient and value-adding, not overburdened

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with details that actually inhibit an appropriate response. We see many businesses, which instead of having the systems in place to be agile, believe they are being resilient because every detail is reviewed and reported. The result is that future plans are created with months of work and rework.

Financial plans and related performance management should be linked to the latest reality and its impacts. There are too many examples where, in trying to meet an outdated financial target, we make decisions that actively undermine long-term resilience in favour of short-term results.

The same is true with information systems. Data security is a hot topic, but what about data resilience? Many organisations fall into the trap of controlling data access, without ensuring that the company uses a common set of numbers and assumptions that are maintained and referenced. How many times are we making informal decisions using ad-hoc data because the system data we spend millions on creating and securing is not fit for purpose, trusted, or easy to access?

Separate the individuals

Another challenge is separating ourselves as individual leaders from the resilience we seek in our business. The more uncertainty there is, the more we want to be everywhere – looking at every detail, and managing every crisis and risk – often with an over-focus on getting everything right.

Just as the hamster does not get out of the wheel by running faster, we as leaders cannot continue to use our own skills and capability as the route to resilience. Even with the best of intentions, we simply run out of time to focus on preparing for the next big change.

Recently, the managing director of a major business explained to me how he had jumped in to manage a factory that had hit problems during the Covid crisis. Although he was able to solve the immediate problem, plan schedules, ship orders and keep supplies on track, while he was busy ‘solving the crisis’, long-established processes were undermined and bypassed. And nobody was looking at the future, or planning for it.

Get resilience right

So what are the common themes for organisations that get resilience right? Businesses that build a capability to respond to constant uncertainty:

- Continually reflect on the future, and are not afraid to change their plans.
- Maintain a range of scenarios and understand how to deliver the right response ahead of their competitors.
- Ensure the entire business runs to a single set

THE KEY TO MANAGING THE RISK OF CHANGE IS READINESS

of common numbers, fully visible to all leaders, to ensure an effective and aligned response when it’s needed, and to prevent time-wasting around aligning different versions of the truth.

- Encourage openness and honesty about the communication of business risk and changes, even if this is not ‘good news’.
- Understand the difference between resilience as capability, and resilience as a response. Discourage crisis management as a sustainable way of working.
- Build reliable day-to-day processes by balancing the variability of the trading environment with realistic operational capacity, and ensuring performance standards are real and demonstrable.
- Use unexpected events to learn about changes in their environment, and take the time to understand the underlying root causes and address them.
- Do not let go of organisational discipline in the face of major change, but use common processes to align all areas, and build accountability.

Have a plan

Modern business-planning processes, such as integrated business planning and enterprise planning, are ideal to drive the right focus and behaviours, because they balance the formal business activity to drive decisions and alignment with the flexibility to respond to change with capability and preparation, as opposed to situational management. But this does require brave leadership, with a culture change that can be difficult to effect when an organisation is caught in the crisis of the day, or over-focused on detailed planning far into the future.

Thinking of one client, which had suffered a severe fall in demand, it was encouraging to see that rather than respond with a knee-jerk change of strategy or portfolio, which may not have been aligned with its core business or long-term plans, the client instead had a clear and consistent focus on maintaining business discipline and planning for the recovery. Another client recognised the opportunity to implement portfolio mix rationalisation that had been pending for a while, because it saw consumers more readily accepting of change.

When you are good at managing the future, you should be able to trust that capability, even in times of major disruption. For this to work, there needs to be full alignment around the core mission of the business. True resilience is much more likely to be achieved when a response is anchored in the values of the organisation, and the related behaviour.

With so much changing around us, it is our ability to manage change in the right way that will set us apart. The key to managing the risk of change is readiness, not response. **E**

Monte Maritz is a partner at business management consultancy Oliver Wight EAME. See www.oliverwight-eame.com