

Organizational Resilience

A summary of academic evidence, business insights and new thinking
by BSI and Cranfield School of Management

bsi.





Introduction

Organizational Resilience is the ability of an organization to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper.¹

There is an acute need for organizations to become more resilient. Currently, just one third of CEOs are confident in the long-term survival of their businesses.² But identifying common practice, let alone best practice, in Organizational Resilience is a significant challenge because of the conflicting guidance found in a variety of information sources.

In response to this challenge, BSI commissioned Cranfield School of Management to assess almost half a century's management thinking, from 1970 to the present day, on how organizations can become more resilient. Over 600 academic papers were initially screened, of which 181 were considered worthy of deeper analysis, together with a wealth of additional books and reports.

This report combines Cranfield's findings from this substantial body of academic knowledge and managerial experience with practical insights from organizations across the globe that exhibit good practice in Organizational Resilience.

**Key point:**

Organizational Resilience is the ability of an organization to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper.

“In the past, Organizational Resilience at Infosys relied on policies, procedures, enforcement and accountability, but now it is seeing a move towards more analytics and agility”

Executive Vice President - Corporate Strategy and Chief Risk Officer, Infosys

1. Definition from BS 65000:2014, Guidance on Organizational Resilience, BSI
2. Organizational Resilience: Building an enduring enterprise: EIU/BSI 2015



The 'Tension Quadrant'

The report describes how thinking on Organizational Resilience has evolved over time, and has been split by two core drivers: **defensive** (stopping bad things happen) and **progressive** (making good things happen); as well as a division between approaches that call for **consistency** and those that are based on **flexibility**.

These four drivers and approaches form the axes of the Organizational Resilience 'Tension Quadrant', as illustrated below.

Historically, there has been a preoccupation with the **defensive** agenda, with much less attention given to resilience as a **progressive** 'strategic enabler' that can help organizations adapt to the big, complex issues that arise in modern business – and seize the fresh opportunities that spring from them.

In addition, Cranfield identifies four ways of thinking about Organizational Resilience:

- **Preventative control** Organizational Resilience is achieved by means of robust risk management, physical barriers, systems back-ups, safeguards and standards, which protect the organization from threats and allow it to 'bounce back' from disruptions to restore a stable state. **Preventative control is essentially a defensive strategy based on consistency**
- **Mindful action** Organizational Resilience is created by people who use their experience, expertise and teamwork to anticipate and adapt to threats and respond effectively to unfamiliar or challenging situations. **Mindful action is also defensive, but based on flexibility.**



Key point:

Organizational Resilience requires preventative control, mindful action, performance optimization and adaptive innovation. Paradoxical thinking helps leaders shift beyond 'either/or' towards 'both/and' outcomes.

- **Performance optimization** Organizational Resilience is formed by process optimization, continually improving, refining and extending existing competencies, and exploiting current technologies, to serve present customers and markets more efficiently and effectively. **Performance optimization is essentially a progressive approach based on consistency.**
- **Adaptive innovation** Organizational Resilience is created through innovation, exploring unfamiliar markets and adopting new technologies. In this way, forward-thinking businesses can themselves embody the disruption in their environment. **Adaptive innovation is progressive, based on flexibility.**

The drivers of Organizational Resilience do not operate in isolation. They all interact with each other, as shown by the Tension Quadrant, illustrated below:

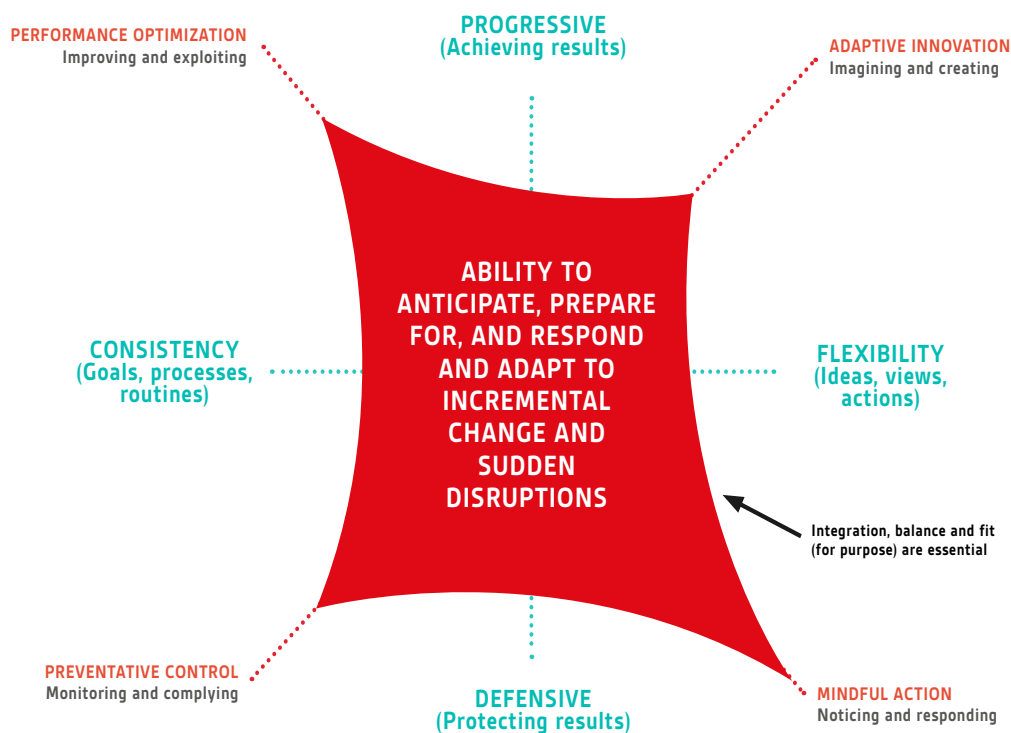


Diagram: Organizational Resilience
Tension Quadrant: blending defensive and progressive thinking



Key point:

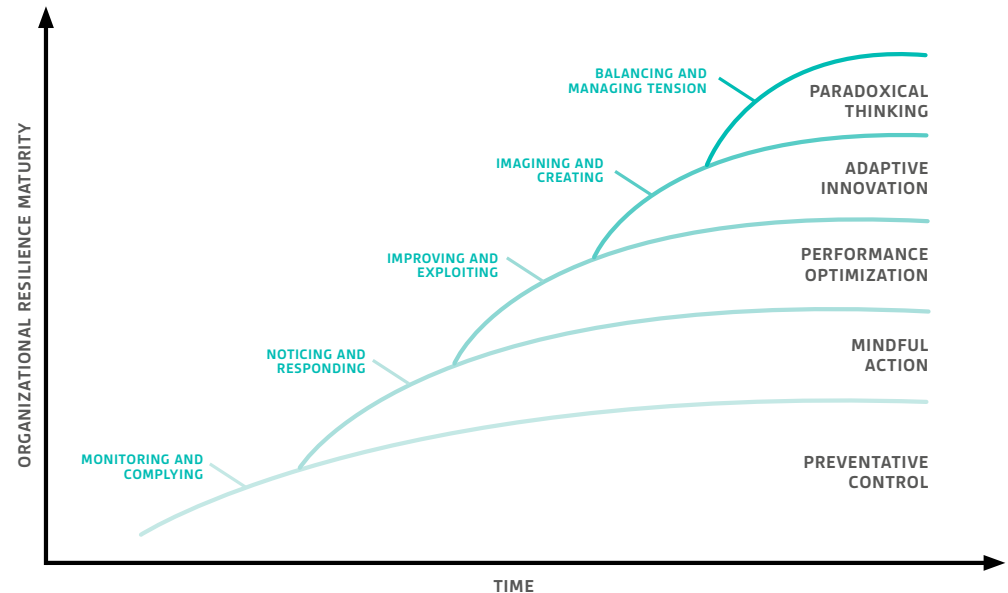
Organizational Resilience involves changing before the cost of not changing becomes too great. This requires learning to do new things by changing underlying values and assumptions, creative problem solving, innovation and learning.

The tensions within the Quadrant will vary according to the nature of the organization and the environment and circumstances it faces. For example, a potentially high-risk nuclear power business is likely, as a matter of course, to 'skew' the Tension Quadrant towards defensive consistency. But in the light of a new requirement to be, say, more commercially competitive – perhaps because of a withdrawal of state subsidy – more progressive flexibility would be brought into play. In contrast, the nature of an entrepreneurial commercial enterprise would normally emphasize progressive flexibility. But a setback, such as a quality failure and product recall, might prompt increased defensive consistency.

It follows that there is no 'right' or 'wrong' shape for the Tension Quadrant, and for any given organization its position will alter over time, as external factors dictate.

Five phases of resilience

Cranfield identifies several distinct phases of Organizational Resilience that have evolved over time as approaches to it matured. As the graph below illustrates, they began with preventative control and have progressed through mindful action, performance optimization and adaptive innovation. Importantly, the latest and final phase is paradoxical thinking.



Paradoxical thinking

Organizational Resilience requires senior leaders to strike an appropriate balance between the sometimes-conflicting objectives and requirements of preventative control, mindful action, performance optimization and adaptive innovation.

Paradoxical thinking helps leaders shift from 'either/or' to 'both/and' outcomes: both **defensive and progressive**; both **consistent and flexible**.

Organizational Resilience requires constant effort. If neglected, **preventative control**, **mindful action**, **performance optimization** and **adaptive innovation** will erode over time and can result in organizations sleepwalking into disaster or irrelevance.

Preventative control may be diminished because of latent problems, such as defective maintenance, poor training, or when local practice takes over from written procedure.

Mindful action may be weakened when organizations stop investing in the competence of their people to maintain standards and encourage growth. As well as undermining structures and practices, people become inattentive and indecisive.

Performance optimization may be eroded when organizations enjoy a long period of success and become complacent, discounting the possibility of future failure.

Adaptive innovation may be inhibited when the organization feels the threat of impending crisis. Organizations tend to control expenditure and resources and focus on the one thing they do well (e.g. their core product or service), but at the expense of losing their ability to adopt better alternatives

“What I have discovered over many, many years of working in business and in the military is that it is very rarely the individual who we can ‘blame’ for something. It is invariably a gap in the process.”

CEO, NextraData

“You need to have good systems but not be over-burdened with red tape.”

Chief Risk Officer, Baiada

Mastering tension through paradoxical thinking

Once threatened with failure, most organizations respond by bolstering preventative control – adding new safeguards, reinforcing barriers, perhaps increasing training efforts – but rarely showing the flexibility to make fundamental changes to mindful action and adaptive innovation. Instead, paradoxical thinking is required in order to manage the tensions between defensive and progressive views of Organizational Resilience. Integration of preventative control, mindful action, performance optimization and adaptive innovation is essential where these distinct areas are not yet part of a holistic framework.

Overemphasis on the defensive agenda impedes resilience because the organization becomes inflexible and unproductive. Overemphasis on the progressive agenda impedes resilience because solely striving to achieve more from less can cause organizations to lose focus on their core business, resulting in failure. Resilient organizations must be both highly adaptable to external market shifts, while simultaneously focused on their own coherent business strategy. Senior leaders must manage the tension between consistency and flexibility, finding the right balance needed between controlling risks and taking opportunities.

“However good we think our management system approach may be, we’ve got to make sure that it’s grounded in reality, and believe me, the best way to ground something in reality is to get the employees as part of that process”

Corporate Social
Responsibility Director, Ciena

4Sight: a way forward

Cranfield argues that business leaders and decision-makers can use a new methodology, ‘4Sight’, to introduce and sustain Organizational Resilience.

4Sight describes a repeatable process consisting of four core processes:



Diagram: The 4Sight model of Organizational Resilience

“Overemphasis on the progressive agenda impedes resilience because solely striving to achieve more from less can cause organizations to lose focus on their core business, resulting in failure.”

BSI, 2017

- **Foresight** – Anticipate, predict and prepare for your organization’s future. This will require constant surveillance for potential threats and possible opportunities. You must explore possible, plausible, probable and preferred futures. Foresight will help people in your organization to be mentally prepared for uncertainty and change.
- **Insight** – Interpret and respond to your present conditions. This involves systematically gathering information and evidence from diverse sources, including first-hand observation of customers in the field or front line staff, to create and continually update a shared understanding of the status of ongoing operations and the environment you face. You must search relentlessly for latent problems and errors.
- **Oversight** – Monitor and review what has happened and assess changes. This includes putting in place a robust process for identifying, managing and monitoring critical risks and continuously refining the process as the business environment changes. Balance performance and compliance by ensuring that management’s actions are consistent with corporate strategy, reflect the culture of the business, and are in line with the organization’s risk profile.
- **Hindsight** – Learn the right lessons from your experience. This requires a ‘no blame’ culture and a willingness to learn from success as well as failure. Future performance can only be enhanced if your organization is able to change behaviour as a result of experience.

“We reacted much earlier than everybody else because we were listening to our customers, we were observing the market and we were able to proactively change the way we offered support to our customers.”

COO Security and Data Protection Officer, SAP

“We’ve got to have a plan or a policy or a way of doing business that caters to all levels of disruption. If resilience is not in your blood then you won’t be in business.”

CEO, NxtraData



4Sight is particularly useful for dealing with complex problems such as developing a new technology, planning a new infrastructure system, implementing a major change programme or dealing with a crisis. Such challenges are difficult to resolve because of incomplete or contradictory knowledge, the number of stakeholders and opinions involved, the financial risk, and the interconnected nature of these issues with other problems. Mobilizing people to meet these challenges is at the heart of Organizational Resilience.

A blended solution

Solving complex problems often requires different concepts to be employed simultaneously, and 4Sight complements the well-established ‘Plan-Do-Check-Act’ (PDCA) methodology. While PDCA provides consistency, 4Sight provides the flexibility to deal with today’s big, complex issues. A blend of the two methodologies requires paradoxical thinking – and is key to success in achieving Organizational Resilience.

The emphasis on PDCA or 4Sight will depend on accurately identifying the nature of the challenges faced by the organization. The report warns that organizations fail more often because they solve the wrong problem than because they get the wrong solution to the right problem.

Together, the PDCA and 4Sight models offer a structured framework for understanding and pursuing both continual improvement and innovation to mitigate the impact of disruptions and add real value to stakeholders. Whether you are the Chief Executive setting the direction of the business, or an individual focusing on a specific task, the models will help you achieve and sustain Organizational Resilience.



Key point:

Complex problems are difficult to resolve. A new process methodology mobilizing people to meet these challenges is at the heart of Organizational Resilience.

Leadership matters

Implementing any framework for Organizational Resilience requires effort and effective leadership. In an increasingly complex and dynamic world, it calls for leaders who are able to direct and coordinate change, but to do so collaboratively, not by alienating their people with ‘top down’ visions and targets, but by harnessing the talent of those who can develop solutions to emerging challenges.

Executives must manage the tension between the strong supportive leadership that their people want to see during times of change, and the more challenging collaborative leadership that will optimize talent. Echoing the report’s main themes, in leadership, as elsewhere, an increasingly uncertain, complex and ambiguous world calls for an appropriate balance between defence and progression, consistency and flexibility.

Finally, the report provides guidance on how Organizational Resilience can be developed, and illustrates how some world-leading organizations – Infosys, Baiada, NxtraData, SAP, and Ciena – have prospered through it.

“I just know that our people are the key to the success of this business, right from our executive management down to the senior management and the people on the floor.”

Chief Risk Officer, Baiada



“Resilient organizations must manage the tension between consistency and flexibility, finding the right balance needed between controlling risks and taking opportunities.”

Professor David Denyer

The full report is available from [**bsigroup.com/organizational-resilience**](https://bsigroup.com/organizational-resilience)

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