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Business Resilience: How to thrive in a crisis – or not!

The Covid 19 pandemic has thrown into sharp relief the ability of businesses to respond to a crisis.

Much has been written about the demise of Debenhams and Arcadia, but this should not have been a surprise. What they lacked was resilience. By contrast, Next, another large retailer with a huge fixed cost base and appealing to a similar market continued to do very well. It is a company with resilience in abundance. This doesn't happen by accident: it is a senior management-led outcome.

So, what is reliance? *"Business resilience is the ability of an organisation to adapt quickly to disruptions whilst maintaining business operations and safeguarding people, assets and overall brand equity. Business resilience goes a step beyond disaster recovery by offering post disaster strategies to avoid costly downtime, shore up vulnerabilities and maintain operations in the face of additional unexpected breaches. An often overlooked challenge of business resilience planning is the human element, whereby individuals in a chaotic situation must be prepared and educated on how to respond accordingly.(source: TechTarget)"*

The obvious points about Next having a strong balance sheet and a long-established online presence have been much discussed. What has perhaps now been forgotten is that the chief executive, Lord Simon Wolfson, gave an interview when announcing the group's results on 19 March, just a few days before the first lockdown, in which he specifically addressed the group's resilience and his confidence that it would survive, however long the pandemic lasted. The stores, of course, were closed and so was the online supply chain at the beginning, but this quickly reopened once safety measures had been put in place and tested. The business was built on firm foundations with a competent and empowered management at every level. It also had a strong Board run by an outstanding leader who thought about things that could go wrong and so naturally the Company did not just survive; it thrived. It was resilient.

Pressure from regulators has meant that financial services businesses have been thinking increasingly about their operational resilience in recent years, although even the best of them recognise that they have a way to go. Outside of financial services, resilience is not much talked about despite recent experience of the financial crash and the current pandemic. And yet, a pandemic was not unexpected: some organisations had identified it as a major risk (i.e.: the NHS – who had had run a simulation of the results, although it is not clear that they completed the feedback loop and fully prepared for it, and HSBC), and in recent decades, there has been a pattern of unexpected events that should have alerted organisations to expect the unexpected.

In March 2020, many businesses were either prepared for a pandemic or were sufficiently fleet of foot to able to respond effectively and minimise this disruption to their business. Others (probably the majority) were not prepared. This lack of forethought is something that companies would be wise to address as a matter of urgency.

There are several key points to bear in mind when making the business resilient for the next crisis:

1. It is not the same as contingency planning or disaster recovery – these are the things that you implement when an organisation has failed to have a resilience plan and has to recover after the crisis strikes;
2. Designing resilience into the management of the business runs from top-to-bottom, so is a key part of strategic management and the responsibility of the senior management;
3. The business must have a written resilience plan, but as General Eisenhower said, it is not the plan that is important, it is the PLANNING, that generates the plan;
4. It is imperative that staff are familiar with the plan, since a crisis affects everybody. The reason that airline pilots spend a lot of time on training and going through examinations is not because it is a pleasant way to spend a day; it is because the frequent simulations prepare the aircrew to be effective in an emergency. The teamwork on the flightdeck is a critical part of the survival plan. So it is in almost every organisation;
5. The Resilience Plan should be the result of a structured review of the business to identify the strengths and weaknesses of the organisation and its operating environment. Larger organisations will have the in-house resources to undertake such a review and create the Resilience Plan. Consultants are available to support organisations without adequate in-house resources. Resilience consultants come in all sizes and smaller organisations will be able to find a consultant to match their financial resources;
6. Investment may be necessary. The Covid19 crisis has forced some manufacturing organisations to move from "just-in-time" to "just-in-case" models. It may be necessary to duplicate some facilities or stock some key items offsite.

Remember, if you fail to plan, you plan to fail!

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