Focus on Resilience: What Does Organisational Resilience Mean for Businesses?

In November 2014, the British Standards Institution launched BS 65000, the Standard for organisational resilience.

This is a significant development and highlights how resilience has become a major focus for organisations.

The introduction of the BS 65000 Standard has helped shape what resilience is and what it means to businesses. Today, the often-confused term is now more meaningful for organisations, who understand that the topic extends to include the effective management of a negative outcome resulting from any risk/ potential risk, and is not solely a continuity risk issue, as it has often been perceived.

What differentiates resilience from other risk terminology is that it sits across the entire organisation; it encompasses already-mature areas, such as risk management, and connects them with an organisation's preparedness to respond to business risks beyond the traditional methods. Resilience also encompasses the long-term viability of the business in the context of organisational change.

Being resilient is a desired state for many businesses for a number of reasons, with one of the main ones being that it helps them achieve their objectives and realise their strategies. By understanding the business to the extent that all dependencies and interactivities are known, it is possible to identify what is required to make the business succeed.

Due to the complexity of businesses and the number of moving parts (both internal and external), resilience is an ongoing state. For that reason, it is never possible to be fully resilient since it is an evolving process. The intangible nature of resilience means that there is no "correct" approach; rather, it depends on the intricacies of each organisation. There are, however, characteristics of a resilient organisation, and by understanding these it is possible to determine where organisations are in terms of resilience maturity.

Key characteristics of resilient organisations:

- **Situational awareness:**
Resilience extends beyond the four walls of the business.

- **Collaborative appetite:**
Organisations develop and work in partnership with complex networks of suppliers, partners, clients etc.

- **Operational flexibility:**
Organisations are required to be adaptive and to break down silos.

- **Culturally articulate:**
Communication and transparency occurs across all departments.

- **Strategically agile:**
Resilience helps strengthen the organisation and as a result it becomes more competitive.

In Marsh's experience, resilience is about an organisation's ability to adapt. In today's fast-moving business environment, coupled with the multitude of risks that many organisations face, it is impossible to identify and mitigate all uncertainties to a satisfactory level. It is not possible to be prepared for every eventuality; however, it is possible to respond effectively if you are resilient and have taken steps to ensure preparedness.

In recent years, it has been difficult to pinpoint what best practice with regards to resiliency looks like, meaning that organisations have been unsure as to what action they should take. The BS 65000 Standard provides guidance around the processes that can be followed to be in line with best practice. Having such a document gives organisations something to aspire to and also to "assess" themselves against.

We have worked with many organisations to help build resilience over recent years and as a result believe that the following capabilities are critical when considering your level of resilience.

ANTICIPATE AND MONITOR

The ability to identify risks (both internal and external, including those from third parties) is fundamental for a resilient organisation. Being able to see the evolution of a risk can help ensure appropriate action is taken in a timely manner. In addition, having procedures in place to assess the risk and also having the ability to monitor and adapt to developments will help organisations ensure they are prepared to act should an event occur.

PREPARE AND ALIGN

The ability to share good practice is critical for a resilient organisation. By removing silos, building awareness, and sharing knowledge across all departments, an organisation as a whole will benefit. Aligning risk management with business objectives and liaising with other parts of the organisation are two effective steps that can be taken to embed resilience and help mitigate a negative event. This could, for example, include the sharing of information and of good practice. Staying informed and up-to-date will help an organisation ensure that it has a consistent approach and level of awareness as a whole. Having greater visibility will also help organisations become more resilient; having clear oversight of key suppliers and customers will ensure that there are no surprises if an event occurs.

RESPOND AND ADAPT

Being able to respond is essential but may not, in itself, result in a resilient organisation. A good response will limit the impact that a negative/disruptive event may have on an organisation; however, without the aforementioned factors, the organisation's response may be disjointed or misaligned. A resilient organisation will have the ability to respond in a way that is consistent across all areas, which helps ensure and demonstrate effective management and control of the situation. As every event is unique, an organisation needs to be able to adapt its response, its way of working, and the execution of the business in the event of a negative impact. By being agile, the organisation will be in a position to continue operations in what could be a significantly-changed environment.

EVALUATE AND REVIEW

The ability to conduct a debrief following an event is critical in order to capture any lessons learned. The debrief should include a review of the actions taken and determine whether any existing processes should be updated as a result. Once captured, these lessons should be shared across the organisation in order to reduce the likelihood of the same problem occurring. The organisation must be able to apply the learning from the event and adapt where necessary.

Being prepared to manage these areas will help ensure organisations are able to withstand a disruption; however, for resilience to be truly effected, it must be fully embedded and part of an organisation's culture.

BEYOND BS 65000

The cost of the negative event to the business is also an area that is often overlooked. During the initial stages of an interruption, there may be significant financial outlays that are required prior to any insurance responding. It is therefore important to identify what the cost of an incident could be to the business and to determine whether there is sufficient liquidity to manage the initial consequences. By quantifying the risks, considering risk tolerance and appetite, and conducting an insurability assessment, organisations are better placed to determine where to prioritise and what mitigation measures are required.

Being prepared is fundamental, without it, any response may be a knee-jerk reaction that may not be effective for the organisation, and may prove to have damaging consequences in the longer term. Preparedness includes having incident and crisis response frameworks in place, having business continuity embedded across the organisation, and understanding any vulnerability and dependency the organisation faces either internally or externally through its greater supply chain or broader operating environment.

WHAT NEXT FOR ORGANISATIONS

The BS 65000 Standard is designed to offer guidance, as opposed to setting out strict rules for compliance. That said, it is in an organisation's best interest to ensure it has a robust resilience framework in place. When considering the framework, organisations should:

- Assess how developed and integrated resilience is in their organisation.

- Take steps to identify any gaps in the current approach.

- Ensure third parties are considered at all stages.

- Ensure preparedness and response capabilities are robust and aligned to the risk management processes.

- Ensure all processes are formalised and embedded within the organisation.

- Ensure scenario testing is carried out to stress test the current framework.

- Assess the level of strategic resilience by considering the activities that are fundamental to the organisation's success.

- Assess the financial and reputational impact to the business to ensure the effective prioritisation of actions.

- Determine controls and insurance solutions to reduce the risk.

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FOR FURTHER INFORMATION ON HOW MARSH CAN HELP, PLEASE CONTACT:

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