

# Key Takeaways – ESG Center

## A Crisis in Crisis Management: A New Era of Operational Resilience

*Roundtable for Members of the Environmental, Social & Governance (ESG), Economy, Strategy & Finance, and Human Capital Centers of The Conference Board Held Under the Chatham House Rule*

**Wednesday, March 1, 2023**

The Roundtable on “A Crisis in Crisis Management: A New Era of Operational Resilience” was attended by 86 executives who were invited as Conference Board Members or guests. We discussed operational resilience, what it is and what goes into it, the state of resilience at companies today, the external and internal pressures that companies will face, and what will (should) operational resilience look like in the future.

The Roundtable was supported by a survey of 148 resilience professionals, which was developed by a group of subject matter experts from The Conference Board Business Continuity and Crisis Management Council and fielded by the ESG Center. The Roundtable, survey, and resulting report are generously supported by Agility Recovery & Prepara.



*The central message from the Roundtable is that in an environment of increasing and evolving risk, companies must build resilience into every aspect of their organization, including strategy, operations, products & services, and even into the cultural DNA of the workforce. In so doing, companies can make operational resilience a competitive advantage -- as they can better plan for, respond to, and recover from significant disruptions that impair the ability to deliver products and services to the market.*

More specific takeaways from the Roundtable are set forth below:

### What is Operational Resilience, and What Goes into It?

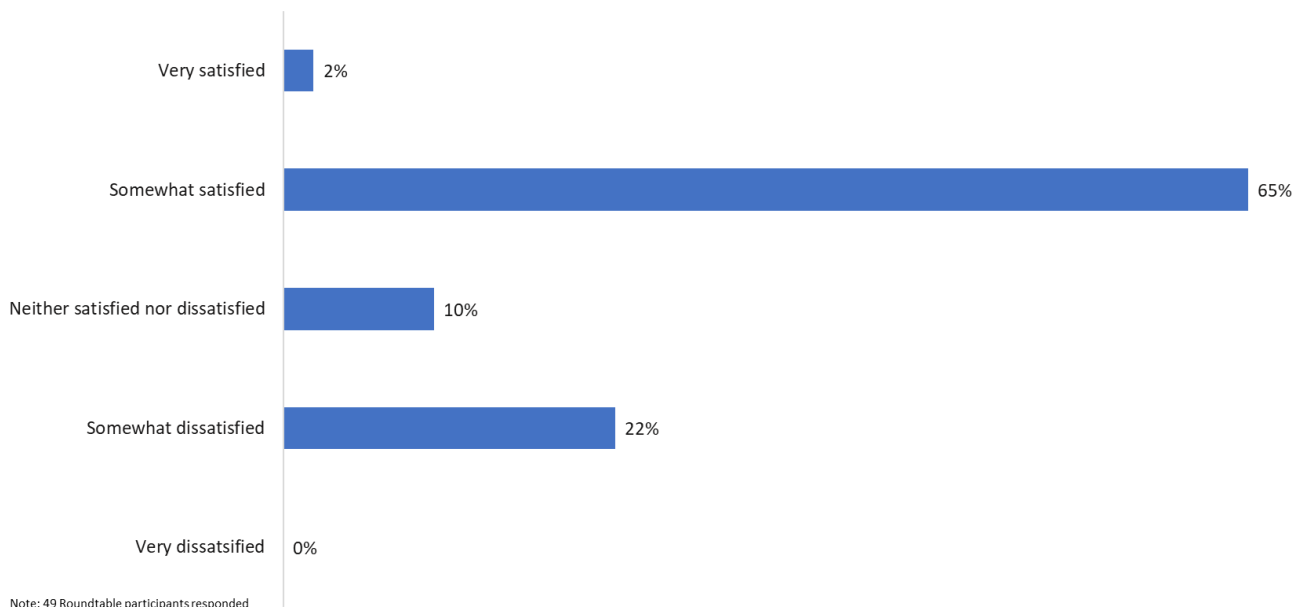
1. **Operational resilience is the organization's capability to plan for, respond to, and recover from significant operational interruptions** that impair the organization's ability to continue to deliver products and services. This definition was created for this project by a working group of resilience professionals from The Conference Board Business Continuity and Crisis Management Roundtable.
2. **An effective operational resilience program must position the organization to bend and not break as risks turn into reality.** The scope of the program should include:
  - a. The critical assets, processes, systems, data, and third parties that are vital to delivering products and services to customers and meeting financial obligations and service level commitments.

- b. Planning for interruptions and implementing solutions that are prioritized based on the potential impact on the organization and, ultimately, the stakeholders.
  - c. Monitoring and detecting impacting events, which are integrated with a communication and escalation process that efficiently and accurately assesses the impacts and mobilizes the appropriate resources to respond.
  - d. Situational awareness and threat intelligence capabilities that provide a clear line of sight through the fog and chaos of an impacting event.
  - e. Muscle memory. When disaster strikes, it is too late to design, implement and provide the required capabilities. These capabilities need to be available and tested in advance. Scenario-based exercises and training of staff to respond using recovery capabilities are just as important as the planning and response stages.
  - f. After an event, an effective program assesses what happened, captures and documents the lessons learned, recognizes the performance of those involved, and establishes, implements, tracks, and communicates a plan to put those lessons into practice.
3. **The human element of operational resilience is critical to a successful program.** Operational resilience programs often put an emphasis on physical assets (buildings and equipment), and on policies, procedures, and playbooks. The Roundtable participants underscored the critical need to focus on the human aspects of resilience, including asking whether 1) employees understand what resilience means for their company, 2) employees understand their collective and individual role in contributing to operational resilience, 3) are employees themselves resilient, and 4) is the organization prepared to address any gaps revealed by the answers to the previous three questions?
4. **It is especially important to have the right people lined up to handle different types of crises.** A key aspect of operational resilience is to think through who should play the lead coordinating role based on the different types of crises. And who should take the lead will vary depending on the subject matter: it could be the Chief Legal Officer, Chief Technology Officer, Chief Human Resources Officer, etc. In each case, these individuals should be provided with training in crisis management. They should also be supported by crisis management experts and an efficient response process.
5. **An effective resilience program ensures that front-line workers understand their role in resilience – and are confident to take action in a crisis – especially in escalating the matter to those with decision-making authority.** A few ways to achieve this confidence is to make the process for escalating matters a simple one. In addition, companies can bring their workforce into the crisis management/business continuity planning processes. Organizations may be surprised by the creativity and perspective those working on the front lines may have for resiliency programs.
6. **Communication is an essential element of an effective operational resilience program.** This means involving the communication function in understanding the extent to which resilience has been built into the company and supply chain, the company's risks and approach to managing those risks, and the company's crisis management and business continuity plans. It also means having clear criteria and processes to govern the escalation and internal and external communication of information within the organization in the event of a disruption.

7. **Particularly in regulated industries, resilience and regulatory compliance need to work closely together.** But only 11 percent of survey respondents say that regulatory compliance falls within their operational resilience program.
8. **Organizations should identify key dependencies to focus on what matters.** Companies should ask what facilities, equipment, workers, and third parties it needs to deliver products & services and which ones they can temporarily walk away from. Identifying those dependencies can help prioritize critical junctures that need to be addressed in an operational resilience plan.
9. **Organizations can become stronger and more resilient after a crisis and should take the time to look back at the successes and lessons learned.** A key element of operational resilience is learning from a crisis. Often, however, a company’s board and senior management – as well as others -- want to move on as soon as a crisis is over. After all, by definition, a crisis is something that takes attention away from ordinary business operations. It is vital for the top of the house to take time to reflect on lessons learned, to document those conclusions, to ensure there are action plans to implement any necessary changes, and then to periodically receive progress reports. This also provides an opportunity to recognize those who stepped up during a crisis. Companies should not shy away from sharing the lessons learned and what they will be doing going forward. Most internal and external audiences will value this information and the associated authenticity; that, in turn, will build trust with stakeholders.

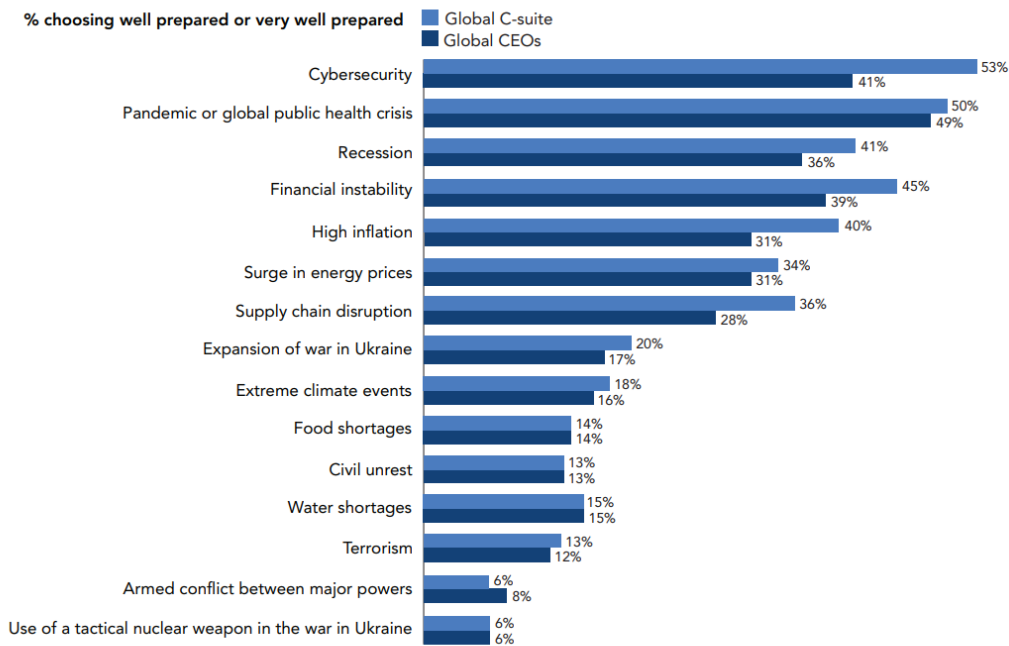
### Strengths, Weaknesses, and the State of Operational Resilience

How satisfied are you with your company’s operational resilience?



**Although most respondents are satisfied with their organization’s operational resilience, almost a quarter are not, this is troubling and should raise concern.** Given tight supply chains and the corporate tendency of out-sourcing critical processes, organizations that rely heavily on third parties should look deeper into their “overall operational resilience.” A key supplier may fall into the dissatisfied category and be the weak link in the chain.

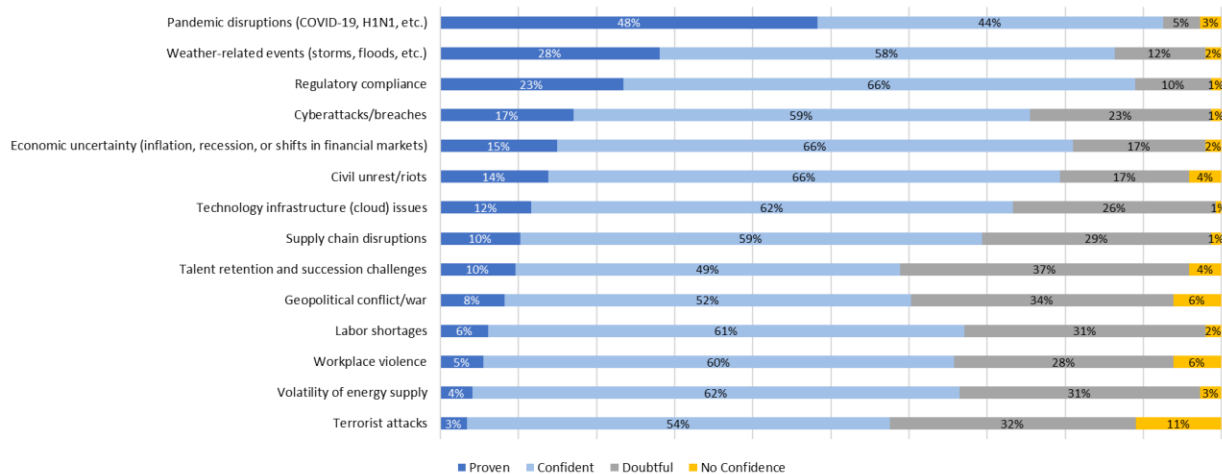
Q: How prepared is your organization to deal with a major crisis related to the following?



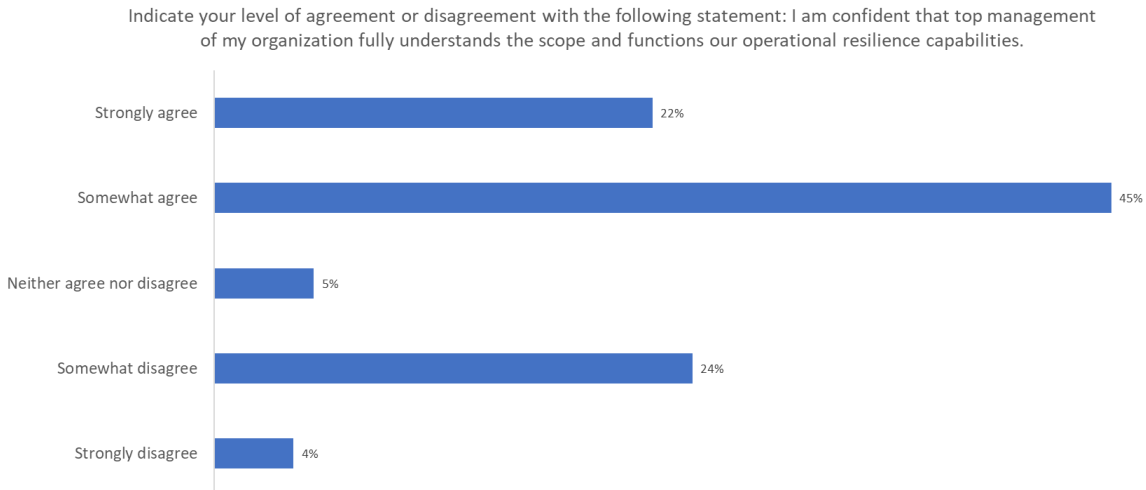
Note: 670 CEOs responded globally. Percentages have been rounded so may not equal 100.  
Source: The Conference Board® C-Suite Outlook 2023

10. **There is a disconnect between CEOs/senior management and practitioners regarding understanding the operational resilience capabilities of their organization.** According to The Conference Board’s 2023 [C-Suite Outlook report](#), a majority of CEOs globally say that their organizations are unprepared to face any of the 15 significant crises asked in the survey.

How confident are you that your organization is prepared to respond and recover from the following events?

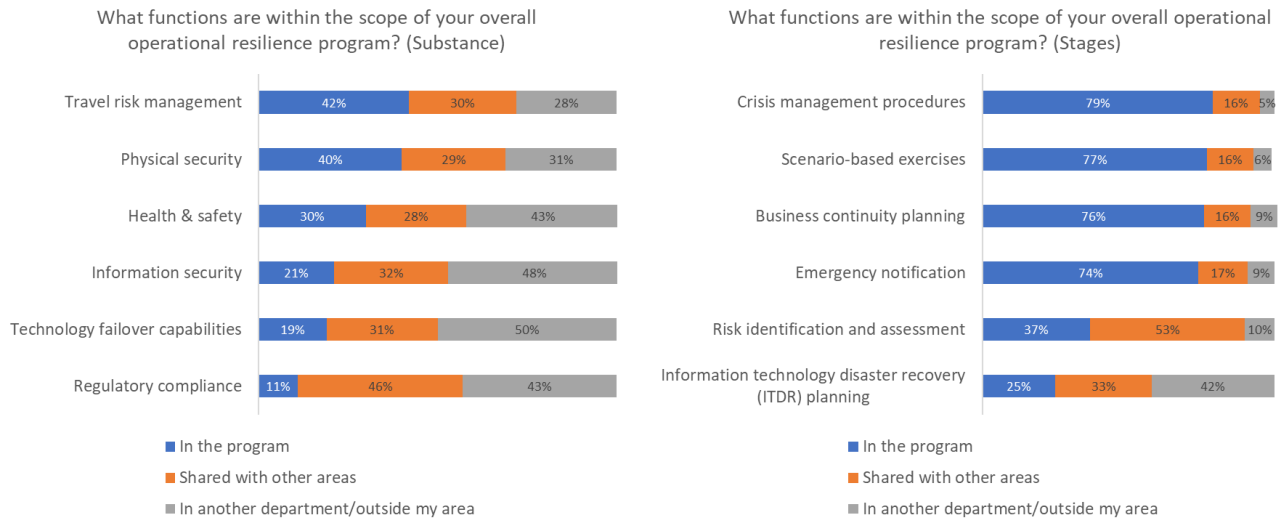


By contrast, in the survey of resiliency professionals, most feel either confident or proven for most of the major crises surveyed. This may show a lack of clear communication and expectation management about the preparedness and understanding of the organization’s resiliency programs.



11. **To bridge that lack of understanding gap with senior management, simply explaining the programs or why the company is prepared for a crisis is not enough. To get senior management’s full attention, resiliency professionals need to show the value proposition of their programs.** Operational resilience is often thought of as a cost, but it can be responsible for more revenue than a company’s R&D function. It is helpful for management to understand: the monetary link between resilience and the preservation of revenue. It is also useful to provide reports that focus less on activities (e.g., how much training has been provided) and more on outcomes (how many lives will be protected, products delivered, etc.) through resilience efforts. A key outcome of a strong operational resilience program is protecting the company’s reputation: management should understand how reputational risks tie to operational resilience metrics.
12. **Understanding the business benefits of operational resilience can help companies move beyond viewing areas such as Enterprise Risk Management (ERM) and Business Continuity Planning (BCP) as “check the box” exercises.** At some companies, ERM is viewed as something they need to do to comply with stock exchange listing requirements or other regulations. Likewise, BCP can be viewed as an annual bureaucratic exercise. Instead, they should be viewed as key aspects of business strategy, planning, and execution.
13. **Responsibility for operational resilience is often fragmented in organizations.** If one looks at resilience in stages, the survey results reveal that responsibility for risk identification and management is generally *not* within the purview of those who handle other stages of emergency notification, crisis management, and business continuity planning. (This is ironic, as areas of risk often wind up as the subject of crises.) Similarly, if one looks at resilience by subject matter area, the survey results show that responsibility for key areas, such as physical security, technology, and health and safety, is either shared or dispersed among different functions.

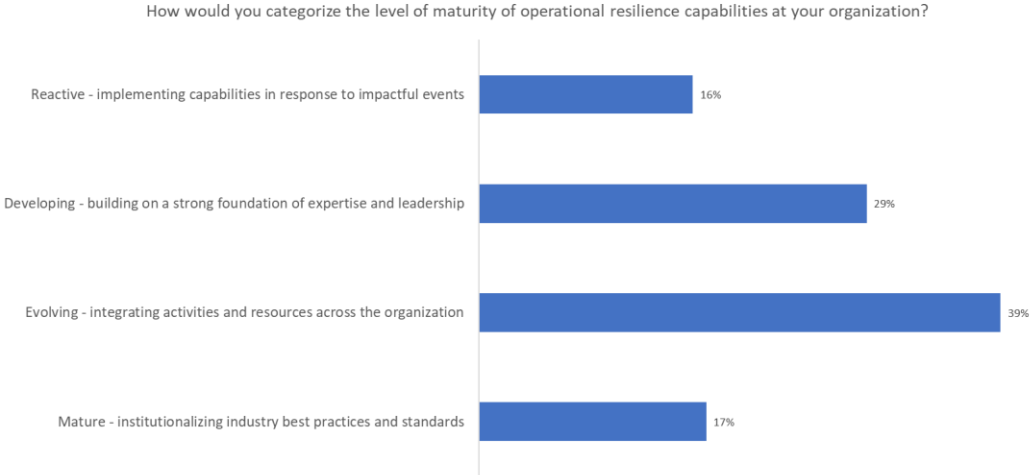
## Responsibility for resilience is fragmented



**14. There are problems with the traditional approach of limiting communication during a crisis – and then moving on after it is over.** Given the role played by social media, companies should consider being proactive in providing the narrative around a crisis rather than letting others do it for them. When the crisis is over, your stakeholders will likely still remember it. It can be helpful to continue to discuss what happened, what the organization learned, and how it is moving forward.

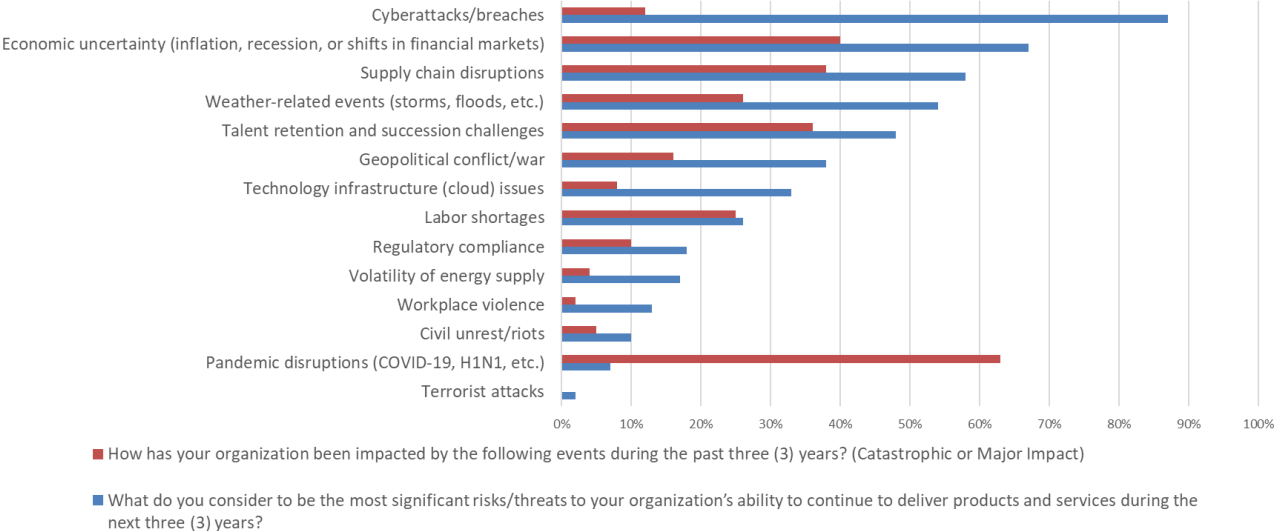
**15. 45% of surveyed companies feel their organization is in the ‘reactive’ or ‘developing’ stage.** A mature organization can repeatedly capture lessons learned, turn them into solutions, practice them, and communicate results through each crisis. The maturity of the operational resilience program instills confidence that the organization can proceed forward with the strategy amidst an increasing risk landscape. Maturity should not stifle innovative approaches to mitigating risks. On the contrary, maturity allows for risk-taking supported by proven capabilities to course correct.

# Only 17% of organizations describe themselves as mature in operational resilience



## The External and Internal Pressures

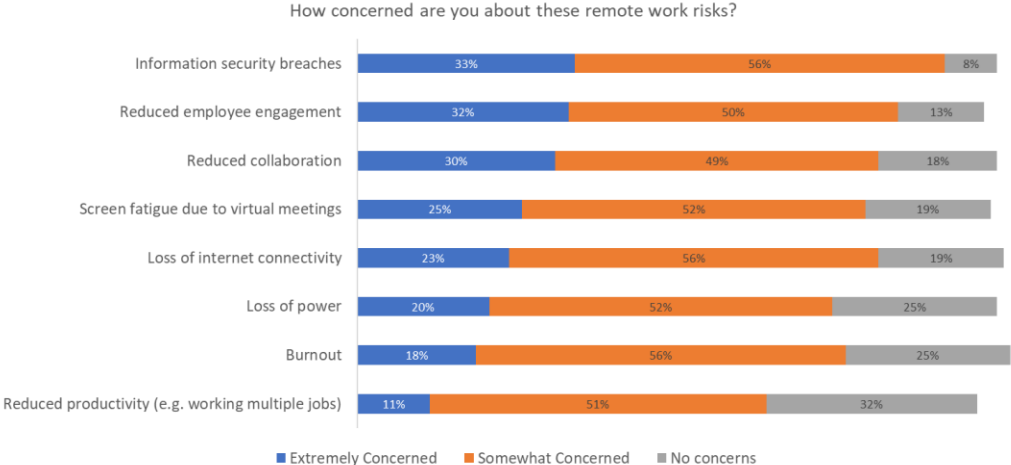
16. **Resiliency professionals are concerned about cyberattacks, the economy, supply chain, climate change, and talent retention.** However, it should be noted that the increasing risks posed by economic slow-down, supply chain constraints, and talent retention are, to a large degree, an outcome of the multi-year global pandemic and the war in Ukraine. Although lower on the list, leadership should not take their eye off the ball with respect to future pandemics and the more traditional workplace violence and infrastructure-related disruptions. These can be devastating to operations and image.



17. **As we have seen with the war in Ukraine, which has triggered a chain reaction of supply chain shortages, inflation, and an economic slowdown, the future is likely to involve multiple, interconnected, and ongoing risks.** Economic uncertainty can lead to talent issues that could lead to workplace violence. This underscores the importance of conducting a full inventory of risks, of bringing expertise from multiple functions (financial, legal, governance, technology, HR, etc.) to bear in evaluating risks, and of conducting scenario planning that focuses on clusters of connected risks.

18. **Resilience professionals are concerned about the impact of remote work not just in increasing technology risks but also in diminishing their organization’s ability to plan for, and respond to, disruptions.** While concerns about IT are at the top of the list, resilience leaders are concerned about the impact that remote work can have in lowering employee engagement (82%), reducing collaboration (79%), and increasing burnout (74%), thereby undercutting the ability to respond quickly and creatively to a phishing threat or business disruption. It can also be more difficult to respond to physical risks with remote work. Instead of ensuring the safety and well-being of employees located on company premises, companies must consider the risks employees may face in different locations, whether that be a weather-related event like a tornado, domestic terrorist attacks, or localized infrastructure issues.

**Resilience professionals are concerned about not just technology, but employee engagement, collaboration, and other “human” issues**

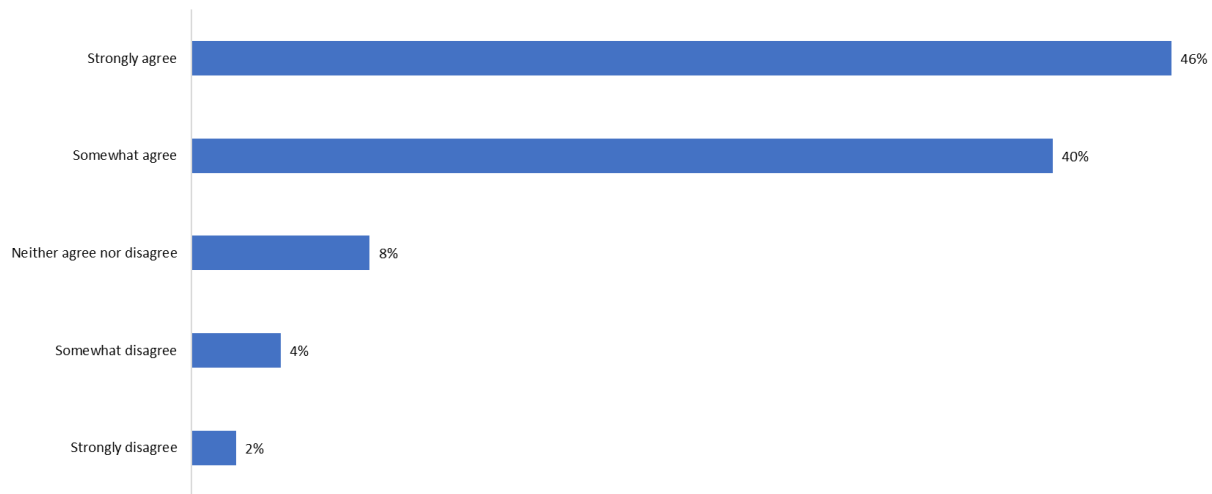


**The Future of Operational Resilience**

19. **Operational resilience is a strategic imperative.** Over the past three years and looking forward, the increased scope and scale of the program and the investments in operational resilience require closer alignment with the business strategy, operations, and risk management to maximize the returns on these investments.



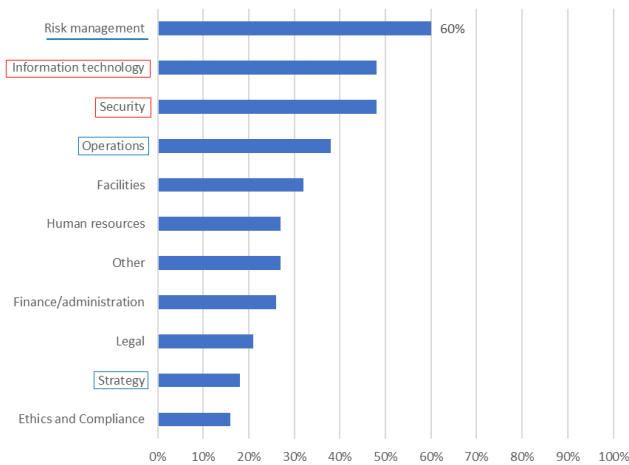
Indicate your level of agreement or disagreement with the following statement: Improving the operational resilience of our organization is a strategic imperative over the next three (3) years:



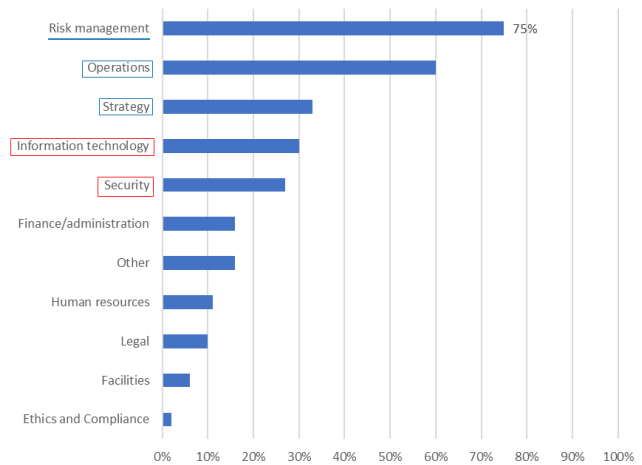
**20. Companies should consider shifting responsibility for resilience from areas that focus on a single area of operations, such as technology or facilities, to one that has a broader scope.** Resilience professionals believe that responsibility should be housed in a part of the organization that has an enterprise-wide remit, such as risk management, operations, or strategy. They look less favorably on housing it within areas that focus on only one part of resilience, such as technology or facilities. Placing responsibility for resilience in a group with broader scope better reflects the types of risks that can disrupt a company’s operations -- they are not just risks to the company’s own equipment and buildings but to supply chains, labor, etc. In addition, areas such as risk management, operations, and strategy have a clearer link to a company’s business, not just to a subset of back-office operations

## Operational resilience should sit with risk management or operations/strategy

Where does accountability for operational resilience reside in the organization?

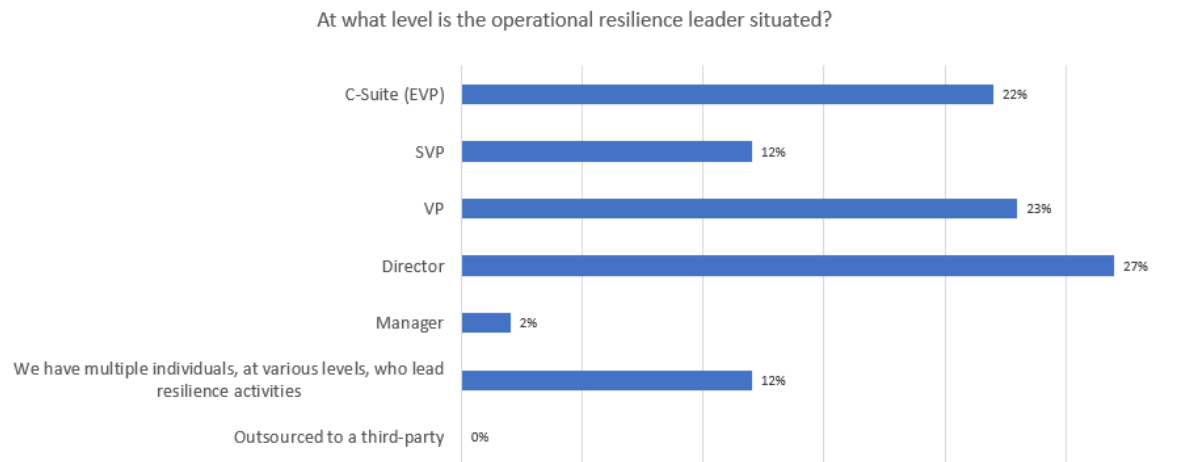


Where do you think accountability for operational resilience should reside in the organization?



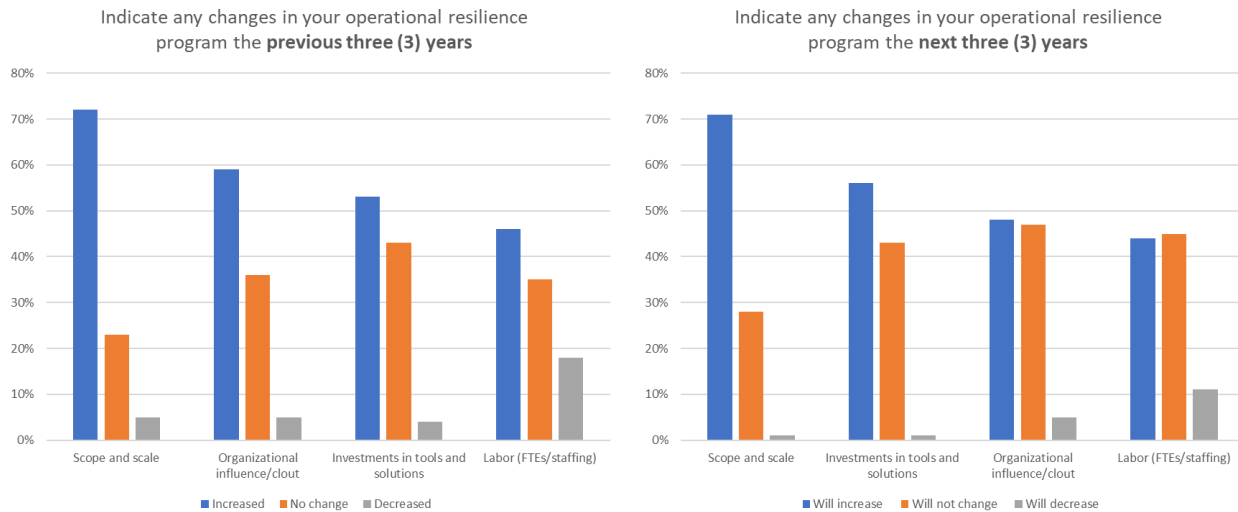
21. **An effective operational resilience program needs strong leadership situated high enough in the organization to be able to coordinate all the elements of a resilience program, to draw upon all the relevant functional expertise of other areas, and to align the resilience program with the development and execution of the company's business strategy.** Currently, responsibility for resilience sits three to four levels below the CEO.

## Operational resilience leaders generally sit 3 to 4 levels below the CEO



22. **The scope and scale of operational resilience programs have increased in the past three years and are expected to continue to do so.** This reflects the impact of the pandemic – and associated labor and supply chain disruptions. It is less clear whether companies will be allocating resources to match this increased responsibility.

## Scope and scale for operational resilience is increasing while resources are stagnant or decreasing



23. **Resilience leaders will need a broader set of skills.** In the past, those responsible for operational resilience may have had expertise in one area of operations (e.g., technology, facilities, or physical security). In the future, they must have the ability to lead peers across an organization, to be curious and in a constant state of learning, to be humble enough to know they cannot be the expert on everything,
24. **Resilience leaders may be able to borrow lessons from those in sustainability.** Resilience, like sustainability, is company-specific and needs to be built into the business strategy, operations, mindset, and culture of the organization.
- Conceptually, resilience and sustainability are closely tied: for an organization to be sustainable, it must first be resilient. In addition, many of the operational risks that companies face are related to environmental and social issues.
  - Programmatically, just as it is important that sustainability be “built into” and not “bolted onto” a company’s business, so should resilience. Resilience should be a consideration incorporated into a company’s activities in the marketplace (the goods and services it buys and sells), the workplace (its workforce and operations), and the public space (its external communications, government relations, and corporate citizenship initiatives).
  - Organizationally, many of the same questions that companies have been addressing in the arena of sustainability (where it sits and at what level, who leads it, how is it staffed, and how does it effectively coordinate across the organization) are ones that should also be considered for resilience.