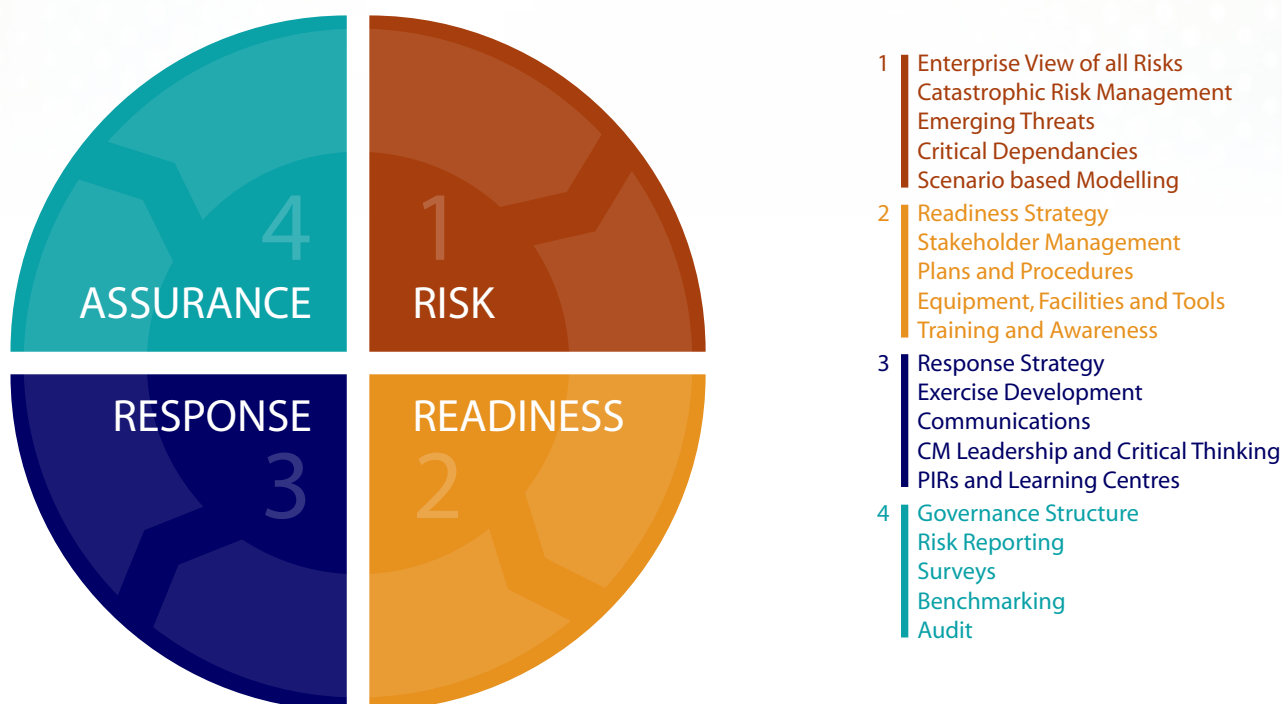


International Benchmarking on Organisational Resilience

Harvard Business Review submission

Report by Janellis Australia Pty Ltd

International Benchmarking on Organisational Resilience



New thinking in Organisational Resilience

Now more than ever, companies are operating in increasingly challenging conditions, faced with ongoing economic uncertainty in Europe, recovery in the US and the signs of slowing growth in the Asian powerhouses of China and India.

Organisations are looking at better ways to proactively build their resilience to alleviate the impact of external factors on business-as-usual operations.

Aligned with these drivers is a stronger focus on identifying those resilience indicators that lead, rather than lag, major events or change; allowing organisations to benchmark their resilience performance and build confidence in their level of capability to deal with change.

Leading indicators of resilience provide quantifiable evidence of investments already made, visibility of capability that exists, and the ability to prioritise future investments.

If you can measure it you can build it

Defining and measuring something that is not traditionally quantifiable is a challenge; however this is essential to prove the value of investing in resilience capability to boards, shareholders and key stakeholders. It also enables senior management to identify areas of vulnerability that may require future investment.

International Benchmarking on Organisational Resilience is a model that includes a number of key indicators which are grouped into four main areas of assessment: RISK, READINESS, RESPONSE and ASSURANCE.

Measuring Resilience

DEFINING RESILIENCE

Resilience is a broad concept and means different things to an organisation including: being able to ‘bounce back’ from a particular event; maintaining the effectiveness of teams during periods of intense economic pressure or uncertainty; and aspiring to ‘shape the environment’ in which an organisation operates.

There will always be many philosophical and ideological views on resilience but for the purposes of benchmarking and selecting indicators that can be measured, resilience has been defined as:

A resilient organisation has the ability to intelligently anticipate and manage change swiftly; has the capacity to learn from challenges; and seeks out opportunities to enhance its capability to adapt and bounce back faster, smarter and stronger.

John Valastro, Head of Environment, Resilience and Workplace Transformation for Australia’s national air carrier Qantas, is a key advocate for building organisational resilience in a way that is transparent, measurable and – importantly – continues to grow capability.

Noting that the airline industry is among the most vulnerable when it comes to unexpected events, Valastro says:

“Qantas has reaped noticeable benefits from installing resilience capacity throughout its operations, which has created a culture of embracing change and seeking ways to constantly improve.

Being resilient means being able to adapt rapidly to changing circumstances and responding quickly with an optimum response to manage those issues.

This is something that our industry generally has a strong focus on – because for us, it is business as usual in a very uncertain world.”

Assessment ratings

Within the International Benchmarking on Organisational Resilience model, meaningful benchmarks are developed using a five-tiered assessment of key indicators that can be standardised and applied equally to specific business units or across an entire organisation.

The aim of the assessment is to review the current capability and provide recommendations based on international ‘Better Practice’ approaches to building resilience.

Assessment criteria

BETTER PRACTICE	An area of excellence in process and capability that should be further reviewed for broader application.
EFFECTIVE	Processes and procedures meet international and organisational standards and no required improvements have been identified.
MINOR WEAKNESS	Processes and procedures are at an acceptable level with isolated minor weakness and could undermine systems and controls or operational efficiency.
DEVELOPMENT REQUIRED	Significant weakness likely to compromise the process or procedures. May lead to financial or operational loss, safety or compliance breach, or environmental or reputational damage if not resolved.
AT RISK	Key Controls absent or not effective, highly likely to compromise systems or internal controls or operational efficiency. May lead to significant operational losses, safety or compliance breach, or environmental or reputational damage.

Note: The indicators measured and ratings given are supported by evidence detailed in the benchmarking assessment report.

Resilience indicators

Resilience indicators are used to compare departments, projects, business units or regions; or to make comparisons across industries. Areas that are 'At Risk' and 'Development Required' will be highlighted; as will areas of 'Better Practice' that can be applied more broadly across the organisation.

Ensuring that all key areas have an effective level of resilience capability allows teams to rapidly respond, manage and adapt to unplanned internal or external change and, where necessary, shape the overall strategic direction.

RISK

Within the RISK focus area the indicators measured are related to the effectiveness of enterprise risk management and the process and strategies on setting risk appetite and tolerances. The identification and management of catastrophic risks and emerging threats, and the management of inter-dependencies, including the use of scenario planning, are assessed.

Risk appetite understood and communicated

Part of the Australian Government's recent research into building resilience has included interviews with CEOs from a number of leading organisations. From a CEO's perspective, an essential part of resilience is ensuring that the risk appetite is closely aligned with the strategic objectives and the organisation's values.

Simon Blakers who heads up risk globally for Lend Lease says:

"It is imperative that the senior leadership team set risk appetite using a wide range of scenarios. These tolerances need to be able to be interpreted in the context of specific business objectives and implemented so that they become part of the culture."

"In addition to effective systems and processes, training and behavioural leadership are key. An important aspect in the training is having a common set of tools that helps teams improve critical thinking skills so that they are second nature, particularly when the crisis team comes together."

Increasingly board members are asking for more sophistication and greater rigour in the determination of risk appetite and tolerances. This is done using scenarios as well as specific and measurable indices. Greater collaboration is required in getting information upstream and downstream within an organisation – and processes to achieve this need to be in place.

The risk appetite needs to be endorsed by the Board and communicated and understood at all levels across the organisation, as this will inform the correct decision making – particularly under stress.

READINESS

The READINESS indicators are an assessment of the plans, processes, facilities and tools that ensure the organisation is proactive in the effective management of an event or impact. Training of staff on the tools and systems is reviewed; as is the approach to stakeholder management and building stronger networks.

Building strong networks

The Australian Government has highlighted the importance of building strong networks as part of resilience, through its Trusted Information Sharing Networks (TISN). The TISN include industry sector resilience forums and cross-industry information sharing. The TISN have facilitated the awareness of the complex inter-dependencies that exist and the need to network within and across sectors, to enhance readiness.

Resilience indicators (cont)

In addition to understanding inter-dependencies within their supply chains, organisations can tangibly improve their networks by implementing coordinated response plans and/or Mutual-Aid Agreements.

Dai Hockaday, who leads Business Resilience for Transfield Services globally, says:

“Understanding how each link in the chain relates to and relies upon the others gives a true picture of the operating environment. Proactively identifying weaker links and inter-dependencies provides an opportunity to build stronger networks and enhance organisational resilience.”

Stakeholder management and communication

Stakeholder management is a core competency for a resilient organisation and a consistent process should be used for the identification and management of key stakeholders.

Pre-considered strategies to manage key stakeholders in times of crisis should also be understood and documented.

The effectiveness and speed of getting the right messages to the right stakeholders should be agreed upon and linked back to Key Performance Indicators (KPIs) where necessary.

The importance of systematic stakeholder management is evidenced by the work of the New South Wales State Emergency Service (SES) who relies on 230 teams which include 10,000 volunteers to assist in responding to major emergencies such as floods and bushfires.

Deputy Commissioner Steven Pearce says:

“Functional training and psychological support to our members are key factors in building resilience among the workforce. The three main pillars of resilience investment for NSW SES are people, process and leadership. Training and preparedness is part of the culture of the SES. This is achieved by having Key Performance Indicators linked to training, exercising and organisational preparedness activity.”

With volunteer units spread out all over the State of New South Wales, the geographic isolation of teams has proved an additional challenge. Key to overcoming this has been establishing a standard methodology of building resilience capability that can be applied across all units in a way which allows standardised benchmarking of results.”

The use of decision making tools

The use of a common ‘decision making’ and ‘business impact’ tool should be implemented across the organisation. Teams should be trained on the tools to guide them to be more effective in ‘cutting through’ the issues they face and to provide clarity and priority on what needs to be done. These tools support the teams in developing their critical thinking capabilities individually and as a group.

RESPONSE

The RESPONSE indicators review the capability of teams to manage through particular events or simulations. The effectiveness of stakeholder management and communications strategies is reviewed; and there is a detailed assessment of the critical thinking skills that includes understanding of the facts/key issues; impacts across the business; prioritisation of issues; decision making; and planning.

Critical thinking capabilities

One of the key capabilities that has emerged as a leading indicator of resilience is the critical thinking capacity of the organisation.

An organisation may have a clear strategy, exhaustive risk management processes, detailed plans and highly skilled individuals but if teams come together – under pressure, crisis or significant change – and are unable to demonstrate ‘critical thinking’, they may not be effective in managing the situation or seeing the opportunities.

Resilience indicators (cont)

Critical thinking capabilities can be measured and can be taught, provided the right frameworks and tools are in place. Many leaders have already honed their critical thinking skills and demonstrate these behaviours intuitively. The opportunity is to build up the skills across a broader group of people and have critical thinking behaviours occurring during daily operations.

John Valastro says:

“Critical thinking occurs within particular environments, and is not necessarily confined to particular people. If you create the right environment you get the right kind of thinking.”

Scenario based planning creates a dynamic and interactive learning environment for developing critical thinking skills. Its value and application as a mainstream business activity is increasing.

Scenario based planning

Scenarios help a broad range of stakeholders understand their operating environment, share information, challenge assumptions, consider the future and assess strategic options. Information is better evaluated within a scenario framework as it provides a context for making decisions and reaching consensus on key issues or opportunities and developing a plan of action.

Leading organisations use scenario based planning and associated tools to help develop their leaders and to improved their overall level of business resilience.

Westpac Banking Corporation has an ongoing program of scenario based training and exercising that occurs at various levels across the organisation, including the Executive Leadership Team. All scenarios follow a standard development process that involves collaboration and input from subject matter experts within the business.

The scenarios are focused on the particular threats and opportunities that the business area is facing in relation to market, political and regional challenges. The development of the scenarios allows a diverse group of stakeholders to gain insight into the challenges and opportunities prior to an event being held; and then on the day.

Paul Maihi from Westpac who is responsible for the enterprise-wide exercising program says:

“Westpac executives are able to come together in a closed loop learning environment – that may include business partners – in a way that allows them to have engaging, open and robust discussions. Using a series of scenarios they can challenge preconceptions and uncover blind spots. The outcome of these activities is always a deeper understanding by our business of the challenges and opportunities that we face from a broad group of stakeholders.

The Westpac tools provided to the teams are used across the organisation internationally at all levels – and aim to enhance the critical thinking capabilities as an ongoing investment into building the organisation’s resilience.”

Accelerated learning environment

One strategy to accelerate the learning of the teams is to increase the intensity of the scenario experience through a ‘breaking news’ media piece. The media story is constructed around a particular event or convergence of events at a time selected, into the future. This approach allows a large number of people to be briefed very quickly with a high degree of realism.

Focusing the team on a particular set of ‘extreme’ circumstances allows team members to consider the impacts across all the key areas of the business in a structured and efficient way. This puts pressure on the teams to make decisions in a short timeframe by considering ‘most likely’ and ‘worst-case’ scenarios, as well as seeking the opportunities.

Resilience indicators (cont)

ASSURANCE

The ASSURANCE indicators assess the reporting, audit process and confidence levels of business leaders, boards, employees and external stakeholders.

The First Assistant Secretary for National Security Resilience Policy, Mike Rothery, heads the resilience division of the Australian Attorney General's Department and has responsibility for maintaining the Trusted Information Sharing Network (TISN). He says the aim of the Government's Resilience Strategy is to work with businesses to ensure the continued operation of critical infrastructure in the face of all potentially hazardous events – natural or man-made – and to ensure the continued supply of essential goods and services to the community.

The TISN is based on the partnership principle, with the Government recognising that the majority of critical infrastructure is in private hands, so it is imperative the two groups work together in building their resilience capability.

Rothery says:

“As a result of this work, more and more companies are becoming aware of the need to incorporate resilience strategies into their day-to-day operations, which is resulting in a cultural shift in management thinking.”

Measure what matters

The indicators selected for International Benchmarking of Organisational Resilience have come from organisations across a number of sectors operating within a variety of environmental pressures.

The indicators used are areas that are already being invested in and reported on for many leading organisations.

Benchmarking provides an immediate assessment of current capability as well as recommendations on processes, tools and strategies to enhance capability in line with international 'Better Practice'.

Benchmarking allows an organisation to move from an area of 'At Risk' to 'Effective' very efficiently, by learning from others.

Benefits of Resilience Benchmarking

An organisation that is aware of its resilience strengths will function well under stress and be able to successfully adapt and see the opportunity in whatever situational changes it faces.

Organisations that invest in measuring and assessing their resilience effectiveness are more competitive in business-as-usual conditions and are able to quickly understand and adapt to adverse conditions, giving them a significant advantage in times of operational challenge.

John Valastro says:

“One of the principles of resilience is building strong networks and we do this by sharing our learning experiences [both] within our business and outside of our business, locally and globally – and benchmarking allows us to do this.

There is no 'end point' with resilience; it's a journey and a capability we are committed to maintaining.

The difference now is we better understand how to measure it and therefore how to continue to build and maintain the capability.”

Summary Benchmarking Report

Benchmarking Summary Table

The benchmarking summary table below shows a consolidated view of the high level indicators that sit within the four areas of RISK, RESPONSE, READINESS and ASSURANCE.

The lower level indicators are reviewed through assessments and observations and key findings are provided in a detailed report that includes recommendations based on 'Better Practice'. The focus areas can be selected based on areas of concern or areas of importance; or by business unit, project, operating businesses or region.

No	Criteria	Group	Region A	Region B	Bus Unit A	Bus Unit B
RISK						
1.1	Enterprise view of Risk	Effective	Effective	Minor Weak	Minor Weak	Effective
1.2	Catastrophic Risk Management	At Risk	At Risk	At Risk	At Risk	At Risk
1.3	Emerging Threats	Dev Required	Dev Required	Dev Required	Dev Required	Dev Required
1.4	Critical Dependencies	Effective	Effective	Minor Weak	Minor Weak	Effective
1.5	Scenario Based Modelling	Dev Required	Dev Required	Dev Required	Dev Required	Dev Required
READINESS						
2.1	Readiness Strategy	Dev Required	Minor Weak	Minor Weak	Dev Required	Minor Weak
2.2	Stakeholder Management	Better Practice	Minor Weak	Effective	Minor Weak	Effective
2.3	Plans and Procedures	Effective	Effective	Effective	Minor Weak	Minor Weak
2.4	Equipment, Facilities and Tools	Minor Weak	Dev Required	Dev Required	Dev Required	Dev Required
2.5	Training and Awareness	Dev Required	Better Practice	Better Practice	Dev Required	Minor Weak
RESPONSE						
3.1	Response Strategy	Effective	Minor Weak	Effective	Effective	Minor Weak
3.2	Exercise Development	Dev Required	Better Practice	Better Practice	Minor Weak	Dev Required
3.3	Communications	Effective	Minor Weak	Effective	Effective	Minor Weak
3.4	CM Leadership and Critical Thinking	Effective	Minor Weak	Minor Weak	Minor Weak	Minor Weak
3.5	PIRs and Learning Centres	Dev Required	Dev Required	Minor Weak	Dev Required	Dev Required
ASSURANCE						
4.1	Governance Structure	Minor Weak	Dev Required	Dev Required	Dev Required	Dev Required
4.2	Risk Reporting	Effective	Effective	Effective	Effective	Effective
4.3	Surveys	Minor Weak	Minor Weak	Minor Weak	Minor Weak	Minor Weak
4.4	Benchmarking	Dev Required	Dev Required	Dev Required	Dev Required	Dev Required
4.5	Audit	Better Practice	Effective	Better Practice	Better Practice	Effective

Assessment criteria

BETTER PRACTICE	An area of excellence in process and capability that should be further reviewed for broader application.
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Case studies

QANTAS GROUP

Qantas is the world's second-oldest airline. The Qantas group of businesses employs over 30,000 people with a network spanning more than 200 destinations in more than 40 countries. In 2011, revenue was over \$15 billion and more than 40 million passengers travelled with Qantas and its subsidiaries. Qantas, like many operators within the aviation sector, has faced an unprecedented number of global and local risks and disruptions to its business.

- > Qantas has had a focus on building and maintaining its resilience capability since 2007, driven by the senior leadership team and reporting to the Board;
- > The resilience indicators and framework are integrated into the Qantas Management System;
- > A robust set of tools and facilities is used across the Group; and
- > An exercising program that includes a range of strategic, operational and financial risks is implemented across the Group.

WESTPAC BANKING CORPORATION

Westpac is Australia's first company and is currently listed as one of the top five companies on the Australian Stock Exchange with assets worth \$670 billion and a market capitalisation of \$61 billion. Westpac currently employs over 38,000 people and services more than 12 million customers.

- > Heavily regulated, it has an enormous investment in business continuity and disaster recovery capability including data mirroring and high-availability systems;
- > Westpac uses sound risk management processes and monitoring of 'extreme event' scenarios;

- > Its crisis exercise program involves its Business Unit CMTs through to its Executive level CMT. This program is characterised by a thorough process to select complex and challenging scenarios that are highly relevant to the respective crisis team including the market, political and regional challenges that each of the business units are currently managing; and
- > There are common crisis management tools that are used across all levels of the organisation. These tools are adjusted and improved as a result of lessons learned, real events, and from the robust exercising program.

LEND LEASE GROUP

Lend Lease is one of the world's leading fully integrated property and infrastructure solutions providers. Lend Lease is listed on the Australian Securities Exchange with circa 17,000 employees worldwide with services that include development; construction; investment management; services; and ownership. In support of the Lend Lease vision, to create the best places, the Group aims to influence practices that deliver sustainable outcomes for its stakeholders which require:

- > Adoption of a proactive and innovative approach to resilience and risk management when supported by a subcontractor workforce of up to 30 employees for every Lend Lease employee;
- > Developing and maintaining effective early warning systems that escalate following clearly defined and understood risk tolerances; and
- > Crisis management techniques that encourage critical thinking, stress testing, clarity of accountability and decision making at each level of the business.

Case studies (cont)

NSW STATE EMERGENCY SERVICE

NSW State Emergency Service is recognised as one of the most versatile and widely used emergency service organisations in New South Wales with 10,000 volunteers across the State, responding to and supporting their communities during floods, storm events and other emergencies.

NSW SES services all of New South Wales and deploys interstate and internationally when required. In 2012, New South Wales experienced some of the largest and most prolonged floods in the State's history with 111 Local Government areas declared natural disasters. In many communities, these were the largest floods experienced since the early 1970s; and in some case, their history.

- > As an Emergency Response unit the SES volunteer teams are well versed in emerging threat analysis and management and this remains a high focus area;
- > Training and the use of tools are a central part of maintaining the capability of 10,000 volunteers from 228 units across 17 regions;
- > Improved flood data, flood modelling and the experience of the teams are all drawn upon for the ongoing monitoring of threats to the community and during periods of operation; and
- > NSW SES has maximised its learning through assessments of its capability against other agencies nationally and internationally, particularly from the key findings following the devastating Queensland Floods and Victoria bushfires.

TRANSFIELD SERVICES

Transfield Services is an international provider of operations, maintenance and construction services to the Resources, Energy, Industrial, Infrastructure, Property and Defence sectors. With a workforce of over 27,000 people in 12 countries Transfield has a key role in many organisations' supply chains.

Transfield Services operates and maintains multiple sites of identified Critical National Infrastructure in addition to many clients commercially critical assets. The scale and diversity of the organisation requires a flexible and adaptive Global Business Resilience Framework that focuses on a number of key areas:

- > Simplicity – easy to use and robust tools designed with the end user in mind ensure the best possible results when operating in non-BAU conditions;
- > Consistency – commonality in tools, terminology and application ensures ease of communication, response and support, particularly across business units, geographies and time zones; and
- > Continuous improvement – identifying and sharing lessons learned both internally and externally and ensuring that better practice initiatives are shared.

Measuring Organisational Resilience

The indicators are grouped in the areas of RISK, READINESS, RESPONSE and ASSURANCE, and are aligned with the following Standards and Guidelines:

- > ISO 31000:2009 Risk management – Principles and guidelines.
- > AS/NZS 5050:2010 Business continuity – Managing disruption related risk.
- > Australian Interagency Incident Management System [AIIMS] and Prevention, Preparedness, Response and Recovery [PPRR] principles.
- > Australian Federal Government’s Resilience Strategy and Guidelines for organisations operating within Critical Infrastructure.
- > ASIS SPC.1-2009: Organisational Resilience: Security, Preparedness and Continuity Management Systems.



Janellis Australia Pty Ltd is an Australian consulting service company that has worked with leading companies and Government agencies since 1999.

In developing the indicators for organisation resilience Janellis has drawn upon practical experience with the following organisations:

AirServices Australia; AMP; AON; AstraZeneca;
BT Financial Group; Commonwealth Bank;
Qantas; Queensland Rail; Hunter Water;
John Holland; Leighton Holdings; Lend Lease;
NSW Roads & Maritime Services; Macquarie Group;
NSW State Emergency Service; Snowy Hydro; Stockland;
Sydney Water; Transfield Services; Vodafone; and
Westpac Banking Corporation.

Janellis services that have been provided to these organisations include:

- > Enterprise Resilience Programs;
- > Benchmarking, audits and reviews;
- > Risk modelling based on international 'better practice';
- > Business Continuity Planning and preparedness;
- > Crisis and Emergency Management Handbooks and tools;
- > Hypotheticals, scenario based modelling and planning;
- > Exercising, coaching, training and development;
- > Facilitation and specialist skills;
- > 'Breaking news' media stories and media training; and
- > Janellis VisionScope for problem solving.

Next steps

If you would like more information on benchmarking, Organisational Resilience or Janellis services please:

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