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Organizational Resilience Index Report 2017



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Foreword by Howard Kerr, Chief Executive of BSI



In today's volatile and uncertain world, understanding what it takes to ensure the survival and prosperity of an organization can be more challenging than ever. That is why in 2014 we published the world's first Organizational Resilience best practice guidance, BS 65000.

Since then, we developed a report with the Economist Intelligence Unit entitled Organizational Resilience: Building an enduring enterprise, by canvassing opinion of over 400 business leaders around the world on the topic that demonstrated the importance of Organizational Resilience to long term success. We also partnered with Cranfield School of Management, and published a new business report which not only distils 50 years of thinking on Organizational Resilience, it also offers today's business leaders a clear framework to help them manage risk and adapt for future business success.

Now we are delighted to launch another first: our Organizational Resilience Index.

The Index aims to equip today's leaders with a benchmark against which to assess their organizations' fitness across 16 core elements, which have been categorized into four areas: Leadership, People, Process and Product. The elements have been defined using

four best practice documents on Risk Management, Organizational Governance, Organizational Resilience, and Supply Chain Risk Management.¹

The Index provides a number of insights that are outlined within this report. Interestingly, all 16 Organizational Resilience elements are important, but reputational risk was perceived as the most important with 43 per cent of business leaders stating they are strongly susceptible to reputational risk by prioritizing the urgent over the important. One-third, meanwhile, believe that their organizations are average to poor at horizon scanning, which means they are failing to identify potential opportunities and threats.

It is with this aim of improving and embedding a culture of continual improvement that we have produced this Index. Achieving mastery of Organizational Resilience requires senior leaders to reflect on and challenge assumptions. Past prosperity is no guarantee of future success, but inflexibility and introspection have been proven time and again the undoing of even the greatest enterprises.

I hope our Index provides the inspiration for more organizations to embrace the chance to spring forward and seize every opportunity.

A handwritten signature in black ink, appearing to read 'Howard Kerr'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Organizational Resilience

Index: overview

BSI's first ever Organizational Resilience Index comes at a critical time. In a period of intense business disruption, only resilient organizations will survive and prosper over the long term.

We asked more than 1,250 senior leaders of organizations across the globe to rate their businesses on 48 aspects of resilience covering 16 core elements across four categories: Leadership, People, Process and Product.

Their responses were used to create a unique snapshot of how organizations perceive their own strengths and weaknesses. Using this Index, organizations will for the first time be able to benchmark their perceptions of their own Organizational Resilience against peer groups of their choice.

Our research produces a rich picture of the perceived health of businesses across the globe:

All 16 elements are important

Our survey re-inforces that all 16 elements are important to the success of a business. The Leadership category demonstrated especially high importance.

Organizations view four elements as the bedrock for resilience

The elements that respondents prioritize as most important in the survey are Reputational Risk, Financial Aspects, Leadership, and Vision and Purpose. Together, these elements provide the bedrock for Organizational Resilience.

Organizations are positive about their resilience on the essentials of business

The top three elements of greatest resilience are Financial Aspects, Alignment and Leadership. These

elements are the areas that top management tend to focus on first so stronger performance is to be expected.

The supply chain is a weak spot

Respondents rate Supply Chain as their least resilient element. This may be a symptom of today's, complex business environment, in which every part of the supply chain is ripe for disruption.

The search for agile

Our dynamic world demands organizations to be agile, yet respondents are less positive about their performance in Information Management, Adaptive Capacity and Innovation – all elements intrinsic to the fluid, flexible firms of the future.

Executives know that this shortfall could be disastrous: a recent BSI report now finds that long-term success means preparing for the unexpected – of 'pairing agile thinking with robust systems'.²

Resilience tends to decline for older firms

Companies in our survey are more resilient if they are under 20 years old. By contrast, companies that have been around for more than two decades tend to produce lower resilience scores – and this is particularly true of Adaptive Capacity, Innovation and Horizon Scanning.

Perceptions vary by sector

When asked to rate their own resilience, sectors appear to have different perceptions of themselves. Telecoms/IT, for example, ranks its Innovation low compared with other elements, but relatively high compared with other sectors. This seems surprising, but a sector that revolves around innovation is likely to have considerably more awareness of the topic and to judge itself more harshly.

The 16 elements of Organizational Resilience

BSI has derived the 16 elements of Organizational Resilience that organizations should consider as part of their long-term success by distilling and merging four key standards of relevant best practice:

- Guidance on Organizational Resilience (BS 65000)
- Code of practice for delivering effective governance of organizations (BS 13500)
- Supply chain risk management. Supplier prequalification (PAS 7000)
- Risk management. Principles and guidelines (ISO 31000)

We also reviewed the content of a number of other related standards including Business Continuity (ISO 22301), Information Security (ISO 27001), Environmental Management (ISO 14001) and Occupational Health and Safety (BS OHSAS 18001)

We have grouped the 16 elements into four key categories that are central to supporting, maintaining and developing Organizational Resilience over time: Leadership, People, Process and Product.

Leadership

Identifies the key roles and responsibilities for leaders in all types of organization.

Elements:

- 1. Leadership**
The culture, visibility and performance of senior business leaders.
- 2. Vision and Purpose**
How purpose is defined, communicated and related to strategic resource allocation.
- 3. Reputational Risk**
The business's approach to managing and limiting reputational risk.
- 4. Financial Aspects**
The quality of the management of financial aspects of the business.
- 5. Resource Management**
The extent to which resources such as people and technology are managed effectively to be deployed where they are needed.

People

An organization's people, culture and values determine business success. This includes how the company interacts with the environment, civil society and stakeholders on ethical and social responsibility issues.

Elements:

- 6. Culture**
The extent to which values and behaviours are shared, trust is established and employees are engaged.
- 7. Community Engagement**
The business's community relations, stewardship credentials and social responsibility.
- 8. Awareness, Training and Testing**
The levels of awareness, training and testing of Organizational Resilience.
- 9. Alignment**
The extent to which all aspects of the organization, including disciplines such as quality, health and safety and information security, are aligned to realizing its strategy.

Process

Embedding habits of excellence into the development of products and services and how they are brought to market is a key component of success. Organizations need a systematic approach to quality processes in the broadest sense of the word.

Elements:

- 10. Governance and Accountability**
The extent to which governance policies are clearly defined and senior business leaders are accountable to all stakeholders.
- 11. Business Continuity**
The quality of the business continuity framework, policies and procedures.
- 12. Supply Chain**
The quality of supply chain governance, security and management.
- 13. Information and Knowledge Management**
The quality of information assets and knowledge sharing.

Product

Organizations must also understand and anticipate how their products or services meet the needs of customers or clients and conform to regulatory requirements. The elements in this section require a forward-looking approach: truly resilient businesses innovate by creating new products and markets to stay ahead of competitors.

Elements:

14. Horizon Scanning

The extent to which the business systematically examines information to identify change, threats, risks and opportunities.

15. Innovation

The extent to which the business's culture encourages and promotes innovation.

16. Adaptive Capacity

The ability to identify change and uncertainty and to take swift and effective action.

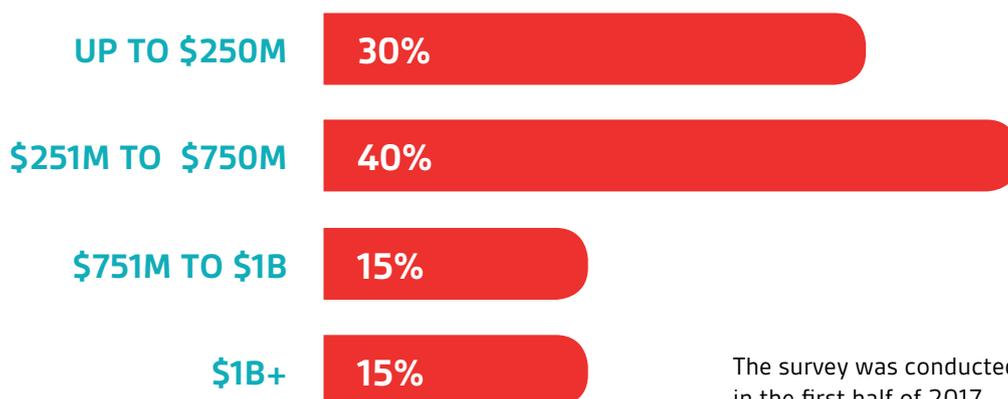


About the research

The BSI Organizational Resilience Index surveyed 1,263 senior executives from organizations in 10 sectors (Finance, Professional Services, Manufacturing, Telecoms/

IT, Automotive, Food, Energy, the Built Environment, Healthcare, and Aerospace) and across three regions (UK and Ireland, USA, and Asia Pacific: Australia, Japan, China and India).

Respondent profile by organization revenue



The survey was conducted in the first half of 2017.

The Organizational Resilience Index: more important than ever

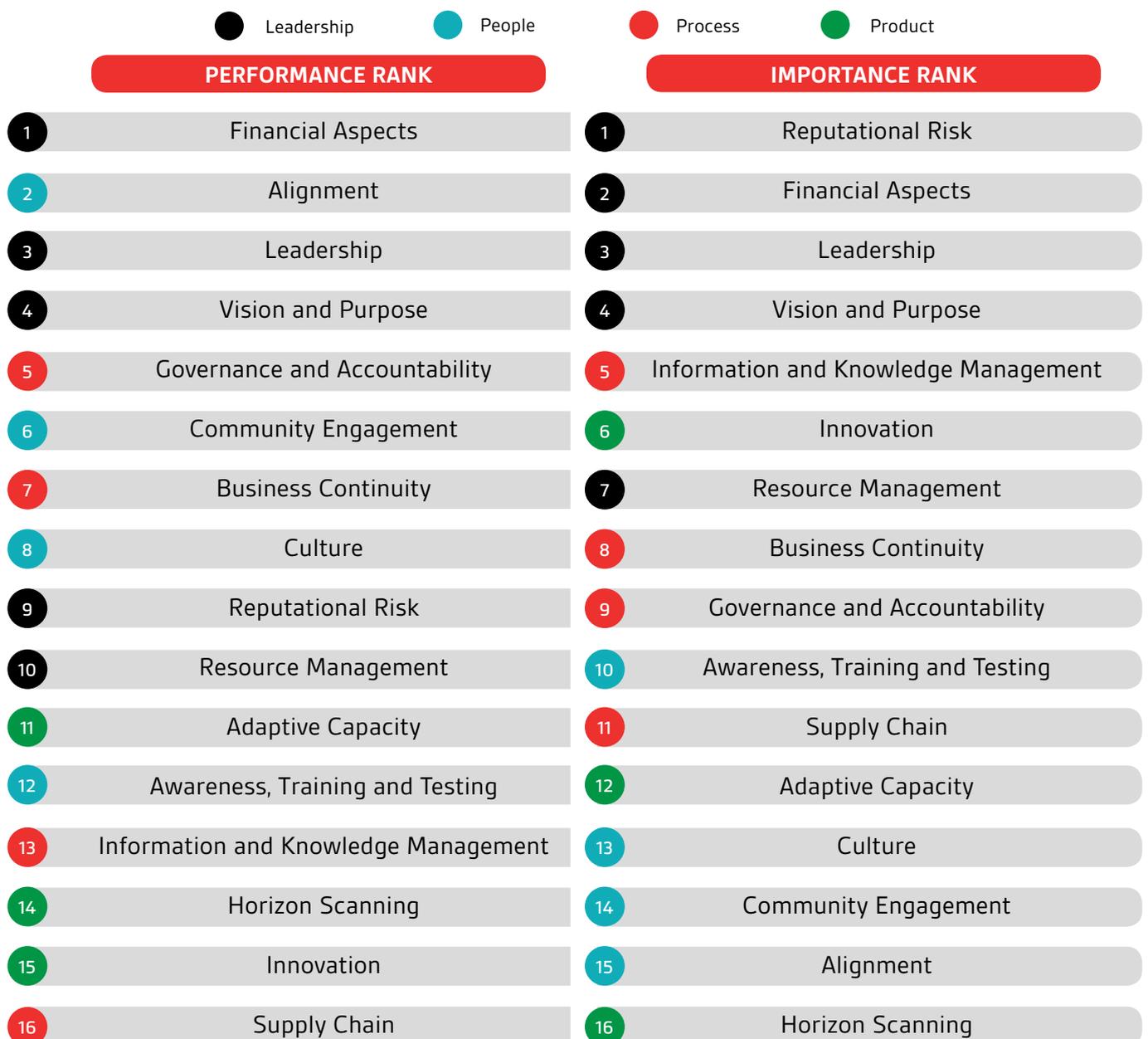
Organizational Resilience requires strength on all fronts: businesses are only as resilient as their weakest link. While executives might feel reassured that they are performing well in most areas, a truly resilient organization will be doing well in all.

For this research, respondents rated their performance across all 16 elements of Organizational Resilience by responding to 48 questions – three per element. On the whole, they perceive themselves to be effective

at executing the 16, and consider the Financial Aspects, Alignment and Leadership elements to be the strongest. However, they also acknowledge relative weaknesses, and are currently performing less well on Horizon Scanning, Innovation, and Supply Chain.

They were also asked to rate the 16 elements in terms of importance. Overall, leaders believe that all 16 are important, but they attach greater importance to some elements than to others – as Figure 1 shows.

Figure 1. The 16 elements of Organizational Resilience ranked in terms of perceived performance and importance



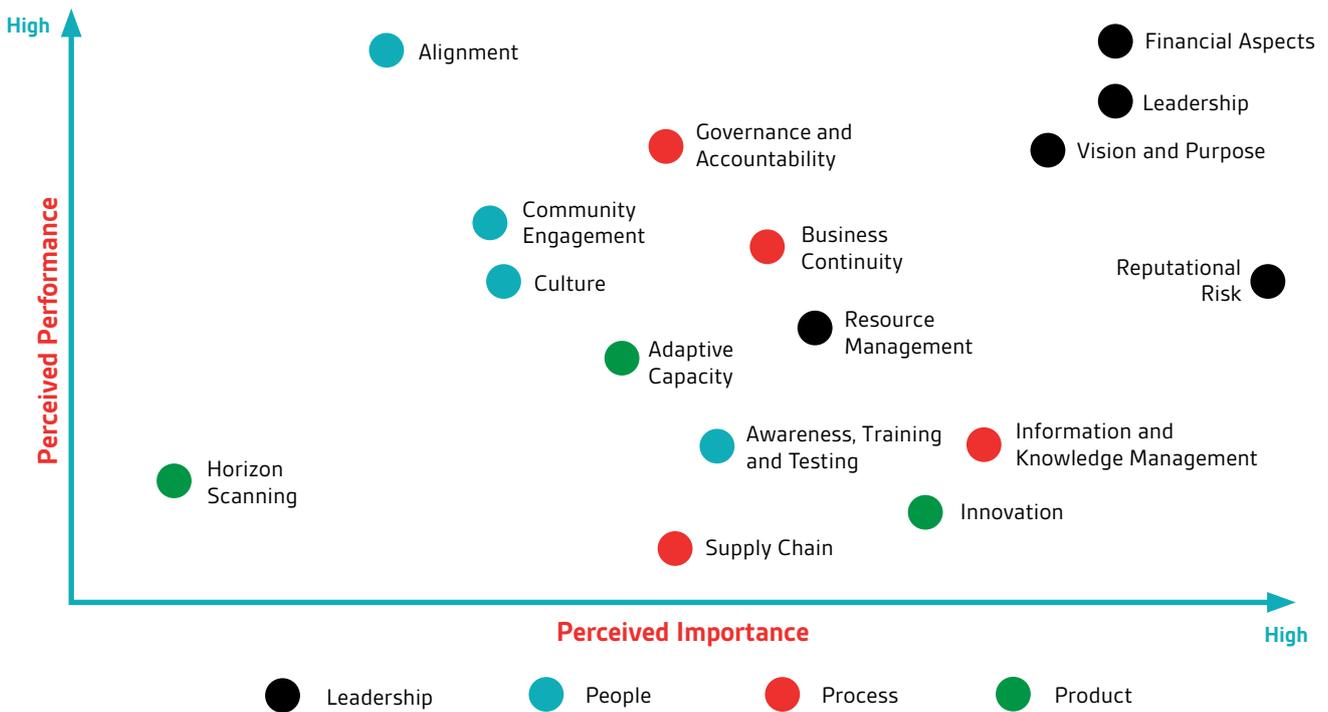
Our four categories – Leadership, People, Process and Product – enable the exploration of the relationships between the elements and how they may change with geography, size, longevity and ownership.

A loose pattern of the 16 core elements indicates more variation in perceived performance and/or importance, while a tighter pattern indicates less variation in these two factors.

The overall pattern can be reviewed against mean resilience (perceived performance) and importance.

The overall view of resilience compared with importance is shown in Figure 2.

Figure 2. How organizations perceive resilience



Analysis by category

The four categories containing the 16 elements are all important and need to work as part of a complete set to ensure Organizational Resilience. The pattern in Figure 2 shows that Leadership is closely grouped, with relatively high resilience and importance ratings, while Product is less compact, with elements showing lower ratings for both resilience and importance.

The relative overall shape (compactness) and positioning of all categories varies with geography, size, sector and longevity, but individual elements within these categories may also show variations within the overall pattern.

Leadership

The Leadership category is perceived as both important and a relative strength in terms of resilience. This result is to be expected, as these elements are being reviewed by the organization’s decision makers.

People

Within the People category the Alignment element is seen as a resilience strength. Whereas Awareness, Training and Testing is viewed as more important and may be perceived as being in need of development.

Process

While Governance and Accountability and Business Continuity are largely within the control of the organization, Supply Chain, which has a lower perceived performance, can be affected by uncontrollable external factors and as a result, leaders have rated Supply Chain as the least resilient element.

Product

Resilient organizations need to assess how they plan, react and respond to competitive pressures on their products. With the three elements in this category languishing in the lower half of perceived performance, organizations may have work to do in this area.

Perceived priorities

The elements of Organizational Resilience that are regarded by respondents as most important will resonate strongly with most organizations.

Reputational Risk, in particular (see 'Reputation is everything'), is a natural priority at a time when business attitudes and behaviours have never been more intensely scrutinized.

Reputational Risk is tightly interconnected with several of the other elements in our framework. For example strong Governance and Accountability, Culture, and

Information and Knowledge Management are often crucial to protecting a company's reputation.

While some drivers of Reputational Risk are seen as strengths, many respondents have doubts about their ability to handle and learn from customer complaints. What's more, 43 per cent either agree or strongly agree that their organizations are susceptible to reputational risk.

Financial strength is another element that sits at the very core of Organizational Resilience – especially with so many companies now concerned about the uncertain global economic outlook.

Reputation is everything

Organizations perceive Reputational Risk as the single most important Organizational Resilience element – understandable, when social media can disseminate and amplify every message an organization gives out, intentionally or otherwise.

Customers are more engaged, too. Recent research from the Reputation Institute found that 23 per cent of consumers would buy products from companies with average reputations; 38 per cent would buy from those with strong reputations; and 77 per cent would buy from those with excellent reputations.³

When it comes to proactively building the company's brand and communicating it externally to create long-term benefits, 62 per cent rate themselves as excellent or very good. In the US, 75 per cent are very good or excellent at proactively building the company's brand, compared with 55 per cent and 56 per cent in the UK and Ireland and Asia Pacific respectively.

Fewer respondents overall (49 per cent), however, say they are excellent or very good at handling customer complaints and learning from experiences to improve the customer experience.

Improvement is ongoing

It is important to remember that Organizational Resilience is not static: every element requires continual and systematic scrutiny as needs evolve and the business environment changes.

Our survey suggests that respondents already see plenty of room for improvement. Just one element, Leadership, sees more than a third of respondents saying they excel, and only a small minority of respondents see themselves as excelling across all 16 elements.

“ Organizations perceive Reputational Risk as the single most important Organizational Resilience element ”

³ https://www.reputationinstitute.com/UK_RepTrak_2017_Release

Strengths and weaknesses

Organizations are notably more confident about their resilience in some elements of Organizational Resilience than in others.

Relative strengths

Respondents perceive themselves to be stronger in areas associated with strategic thinking and financial management, which translates into particularly strong ratings for three elements:

- **Financial Aspects**
Financial Aspects of the business are rated as more important than any other single element apart from Reputation, and respondents believe they perform well in this area: 59 per cent say they are very good or excellent across financial aspects of their business.
- **Leadership**
59 per cent of respondents describe their leadership as very good or excellent; these organizations have a clear focus on long-term performance management and risk management.

- **Alignment**
Many organizations believe that their management, culture and operational activities are aligned with strategic priorities. 58 per cent say they are either very good or excellent at ensuring that all aspects of the organization are aligned towards achieving strategic goals.

Many organizations rate themselves highly on elements related to leadership. For example, their focus on Reputational Risk is exemplified by the proactive approach they take to building the company's brand and communicating it externally in order to produce long-term benefits.

Similarly, significant numbers of respondents say their organizations have a clearly defined and communicated corporate purpose and vision. They say there is an agreed strategy that determines how resources are allocated in order to align their vision, values and behaviours.

Relative weaknesses

There are, however, areas where many organizations believe their Organizational Resilience can be improved.

In particular, many respondents regard themselves as less resilient on elements such as Adaptive Capacity and Horizon Scanning, which are crucial to their ability to cope with the ever-changing global business environment.

A more detailed analysis of the 48 aspects of Organizational Resilience that made up the 16 elements reveals a number of areas where companies are relatively weak:

- **Supply Chain**
This is the element identified by respondents as most in need of improvement. And it is in those sectors where the supply chain is most complex and critical to business success – Automotive, Manufacturing and Aerospace – where improvement is needed most. That is not surprising in today's new normal of VUCA (volatility, uncertainty, complexity and ambiguity), in which every link in the chain is another potential source of disruption. Respondents highlight supply chain security as particularly weak, and they also have concerns about the extent to which suppliers are balancing social, environmental and health concerns against commercial goals.
 - **Horizon Scanning**
About one-third of organizations say they need to improve their horizon-scanning capabilities, particularly in respect of the products and services that will meet the needs of their future customers, and this element receives low resilience and importance ratings across all geographies and sectors. Whether they have been operating for one year or for more than 20, businesses feel they need to improve here – although the older businesses fare worse. They may lack processes and systems that enable them to learn from past events, understand potential threats and make incremental and transformational changes. This Horizon Scanning deficit is particularly pronounced in Healthcare, where 45 per cent of respondents say they need to improve.
-

The innovation imperative

The most successful organizations are adept at reinventing themselves in order to survive and prosper – often transitioning or adapting their business through developing or selling new products or services, using new technologies or finding new markets.

Yet many find such innovation difficult. Respondents agree that they could benefit from greater collaboration and trust in the area of innovation: 33 per cent say they need to improve. Across the board organizations constantly feel they need to innovate however, 48 per cent regard themselves as very good or excellent at building innovation structures that give sufficient value to contributions from internal and external stakeholders. Given the pressing need for organizations to create ecosystems of new partners, a lack of a flexible framework will hinder innovation at scale.

Older businesses appear to find it harder to embrace new methods and ways of working: 39 per cent of organizations aged more than 20 years say they need to improve the Innovation element.

“Organizational Resilience has no finishing line; instead, it's a process of continual improvement.”



Organizational Resilience by size, geography, age and sector

Organizations have different perceptions about the current state of their Organizational Resilience, depending on their demographics.

Not too big, not too small

For certain elements of Organizational Resilience, the size of the organization appears to correlate with perceived performance.

For example, when it comes to Supply Chain, mid-sized businesses – those with revenue between \$251m and \$1bn – consistently rate their performance higher than both their larger and smaller counterparts. And on Innovation, mid-sized businesses again appear to find the going easier: they are more likely to rate their collaborative efforts more highly.

The priorities of different-sized organizations may also differ. The largest businesses – those with revenues of more than \$1bn – regard Financial Aspects and Vision and Purpose as the most important elements. For the smallest businesses – those with revenues of \$250m or less – Reputational Risk and Leadership are considered the most important. Both groups, however, rank Horizon Scanning bottom in terms of importance.

Older, not necessarily wiser

When it comes to Organizational Resilience and the age of businesses, clear patterns begin to emerge. It is the youngest and oldest organizations that fall behind their middle-aged peers. They are more likely to score their performance lower and to rank the 16 elements as relatively less important.

Those businesses aged between six and 10 years old regard themselves as more resilient across the majority of elements, scoring themselves particularly well on Alignment. And when it comes to Horizon Scanning, there is a marked difference in performance between this group and those organizations that have operated for more than 20 years.

In fact, more mature businesses fall behind across all elements of Organizational Resilience – scoring relatively low on Adaptive Capacity and Innovation. As we have seen in 'The Innovation Imperative', 39 per cent of more mature organizations struggle to promote and encourage innovation and original thinking.

The US perceive themselves as leading the way

Organizations based in the US give themselves the highest Organizational Resilience scores across all 16 elements, and perceive themselves to be especially strong on Reputation.

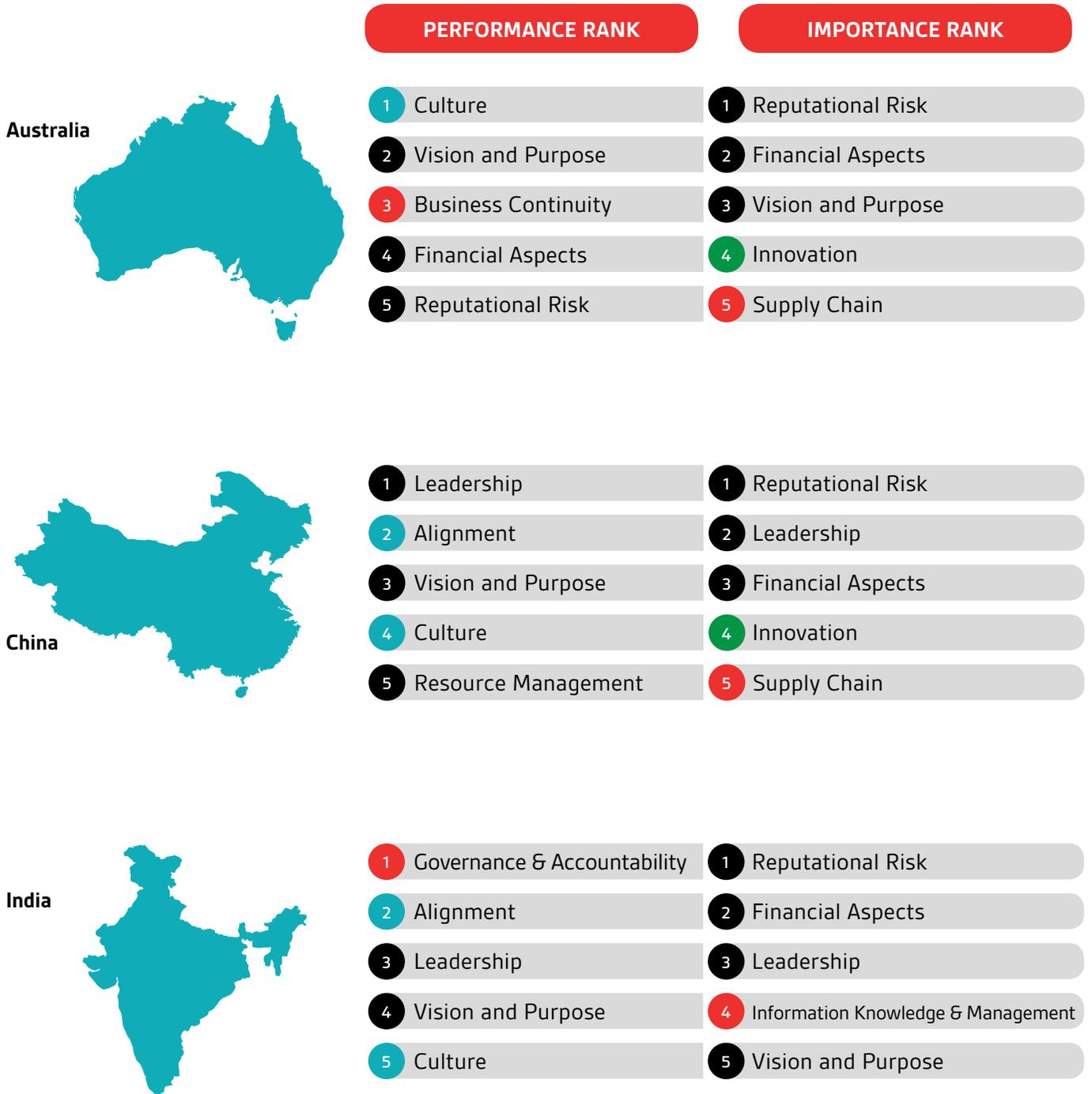
Figure 3 on pages 13 and 14 illustrates the top 5 performing and most important elements. APAC has greater perceived performance in Vision and Purpose and differs to the other regions that cite Financial Aspects as the best performing element.

(see Figure 3 next page).

“
The youngest businesses place particular importance on Innovation, Awareness, Training and Testing, and Community Engagement. ”



Figure 3. Top 5 resilience ranking by Country



● Leadership

● People

● Process

● Product

Japan



PERFORMANCE RANK

IMPORTANCE RANK

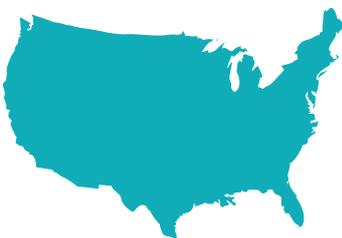
- | | | | |
|---|-----------------------------|---|------------------------------------|
| 1 | Vision and Purpose | 1 | Business Continuity |
| 2 | Alignment | 2 | Financial Aspects |
| 3 | Governance & Accountability | 3 | Reputational Risk |
| 4 | Financial Aspects | 4 | Information Knowledge & Management |
| 5 | Community Engagement | 5 | Vision and Purpose |

UK and Ireland



- | | | | |
|---|-----------------------------|---|------------------------------------|
| 1 | Financial Aspects | 1 | Reputational Risk |
| 2 | Alignment | 2 | Financial Aspects |
| 3 | Governance & Accountability | 3 | Leadership |
| 4 | Leadership | 4 | Information & Knowledge Management |
| 5 | Vision and Purpose | 5 | Innovation |

USA

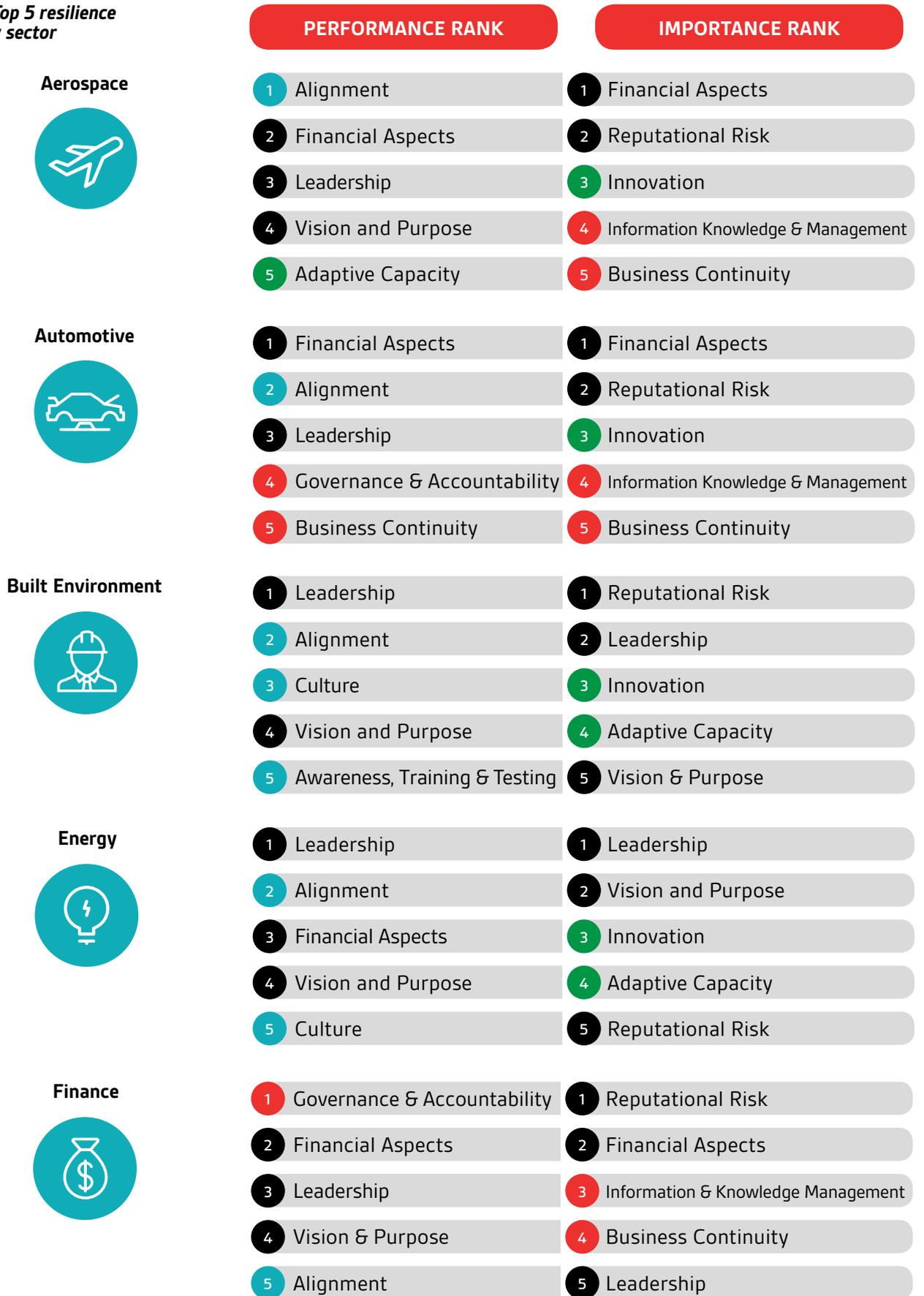


- | | | | |
|---|---------------------|---|------------------------------------|
| 1 | Financial Aspects | 1 | Reputational Risk |
| 2 | Leadership | 2 | Financial Aspects |
| 3 | Alignment | 3 | Leadership |
| 4 | Business Continuity | 4 | Business Continuity |
| 5 | Vision and Purpose | 5 | Information Knowledge & Management |

Sectors vary

The top five elements by performance and by importance for each sector are illustrated in Figure 4 (below and overleaf), showing differing levels of awareness and requirements of the 16 resilience elements.

Figure 4. Top 5 resilience ranking by sector





Leadership



People



Process



Product

PERFORMANCE RANK

IMPORTANCE RANK

Food



1	Financial Aspects	1	Reputational Risk
2	Community Engagement	2	Leadership
3	Alignment	3	Innovation
4	Resource Management	4	Information & Knowledge Management
5	Adaptive Capacity	5	Community Engagement

Healthcare



1	Financial Aspects	1	Reputational Risk
2	Vision and Purpose	2	Vision and Purpose
3	Business Continuity	3	Financial Aspects
4	Community Engagement	4	Leadership
5	Governance & Accountability	5	Information & Knowledge Management

Manufacturing



1	Financial Aspects	1	Reputational Risk
2	Leadership	2	Financial Aspects
3	Alignment	3	Business Continuity
4	Vision and Purpose	4	Innovation
5	Governance & Accountability	5	Leadership

Professional Services



1	Governance & Accountability	1	Reputational Risk
2	Vision and Purpose	2	Leadership
3	Leadership	3	Innovation
4	Innovation	4	Information & Knowledge Management
5	Alignment	5	Community Engagement

Telecoms/IT



1	Financial Aspects	1	Reputational Risk
2	Vision and Purpose	2	Financial Aspects
3	Business Continuity	3	Leadership
4	Community Engagement	4	Business Continuity
5	Governance & Accountability	5	Vision and Purpose

Conclusion: Organizational Resilience and continual assessment

Our research provides some clues about where future priorities may lie. Thinking more strategically about those priorities is crucial for senior leaders, who must be prepared to question their underlying assumptions about the resilience of their operating models. All 16 elements are seen as **important**, re-iterating that organizations must consider robust processes and best practices to put in place to provide the best level of resilience.

Stronger ratings

- **Leadership** is consistently ranked as both important and a high perceived performer, which is to be expected given that the responses are from the decision makers of organizations.
- **Reputational Risk** is seen as the most important element across geography, sectors, size and longevity of organization. This is not surprising: in today's world of instant communication, reputations that take years to build can be destroyed in a matter of minutes.
- **Financial Aspects** is generally regarded as both important and a high perceived performer across all sectors, geographies and sizes, and becomes increasingly significant in organizations that have been trading for more than 20 years.

Weaker ratings

- **Supply Chain** is consistently among the weakest perceived performance elements across most sectors, although performance is better in the Aerospace sector. It also has a weaker rating in organizations with annual revenues of above \$100m
- **Horizon Scanning** has lower perceived performance and importance ratings across all geographies and sectors, and is noticeably weaker in the Aerospace and Automotive sectors.
- **Innovation** is comparatively low across many organizations. It is low even in sectors that need to innovate to stay ahead of the competition – Aerospace, Automotive and Manufacturing – and while it rates higher in Telecoms/IT, it is still among the lowest ratings for that sector.

Resilience varies by sector

- **The Built Environment.** This sector shows higher ratings for both perceived performance and importance than those recorded in other sectors.
- **Healthcare and Manufacturing.** Sectors have lower overall ratings and more variance across the different elements. This may indicate either a greater degree of overall self-criticism than other sectors or less optimism about their Organizational Resilience.
- **Telecoms/IT.** The tightest pattern of ratings was noted in the Telecoms/IT sector, with higher ratings than most other sectors apart from the Built Environment. This may indicate the importance in this fast-paced sector of being resilient.

Specific category patterns

The **Leadership category** is consistently rated as both a high performing and highly important area of Organizational Resilience, and this pattern is more apparent in firms that have been in business longer than five years. Before the five-year mark is reached, other elements have higher ratings for perceived performance, with Financial Aspects and Alignment rated highest.

The **People category** has high mean performance and importance ratings in the early stages of a business, but as longevity increases it falls in both ratings. In particular, the People category has weak mean performance and importance ratings in the Manufacturing and Professional Services sectors.

A continual process

Together and separately, these elements of resilience require a constant process of benchmarking, improvement and reassessment. They underline a reality for all business leaders. Organizational Resilience has no finishing line; instead, it's a process of continual improvement.

BSI Organizational Resilience Benchmark

If you want to find out more about how your organization compares against the 1260 organizations who feature in this report then complete the BSI Organizational Resilience Benchmark tool located at www.bsigroup.com/organizational-resilience

The BSI Organizational Resilience Benchmark tool is a simple to complete questionnaire which is an abbreviated version of the same one completed by our survey participants. The shortened questionnaire focuses on the 16 key elements that are vital to building and developing Organizational Resilience and the results will help illustrate your perceived organization's strengths and vulnerabilities compared to those that participated in the survey.

Your results will be shown as a spider diagram (Figure 5 below) and will allow you to review how your Leadership, People, Processes and Product categories based on the 16 key elements compare against the overall benchmark results.

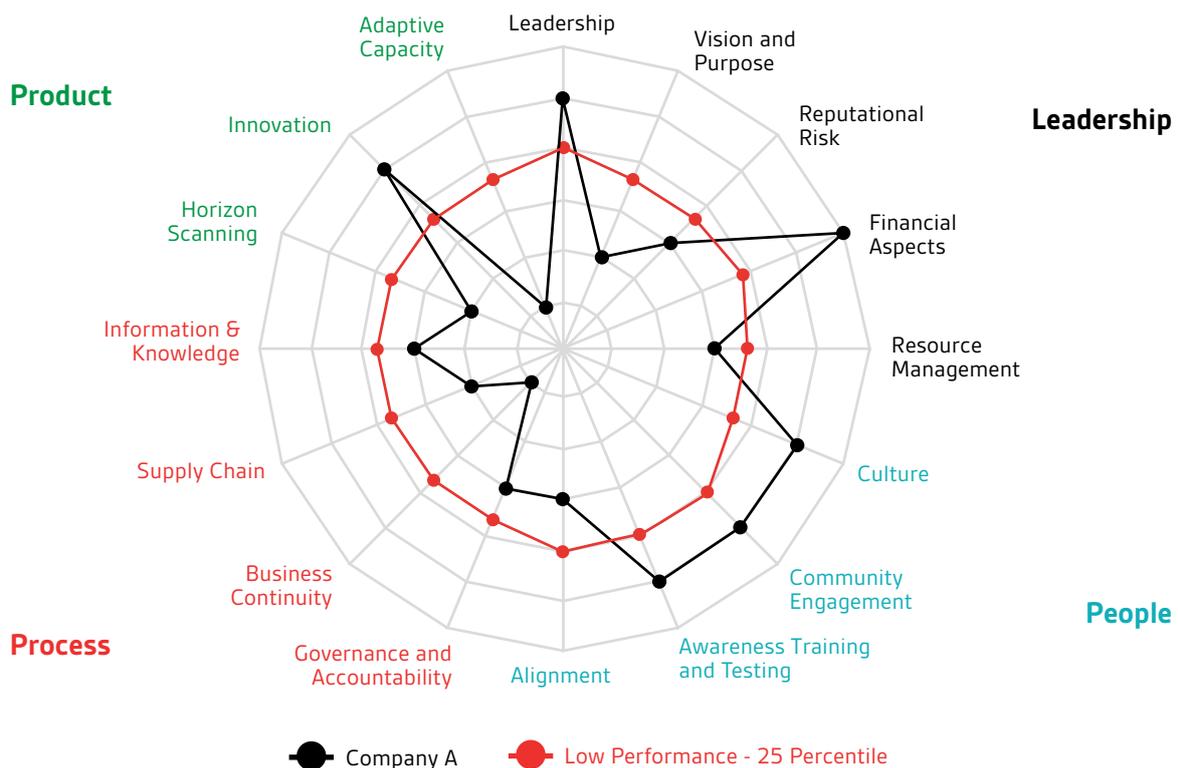
If you are intrigued or curious about your results you may wish to investigate further through a more comprehensive comparison against those in the survey.

The BSI survey is the world's first based solely on Organizational Resilience and our carefully selected sample covers:

- A variety of countries including Australia, China, India, Japan, UK and Ireland, USA
- Multiple sectors – from aerospace to professional services
- Revenue ranges from less than \$99m annually through to organizations with revenues greater than \$1b per annum
- Longevity of organizations – from less than 5 years to those that have been in existence for more than 20 years

If you would like to find out more about how you compare against similar types of organization and get a deeper and unique insight into Organizational Resilience then please contact us and we will be pleased to help you further.

Figure 5. Sample spider diagram output from BSI Organizational Resilience benchmark tool





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