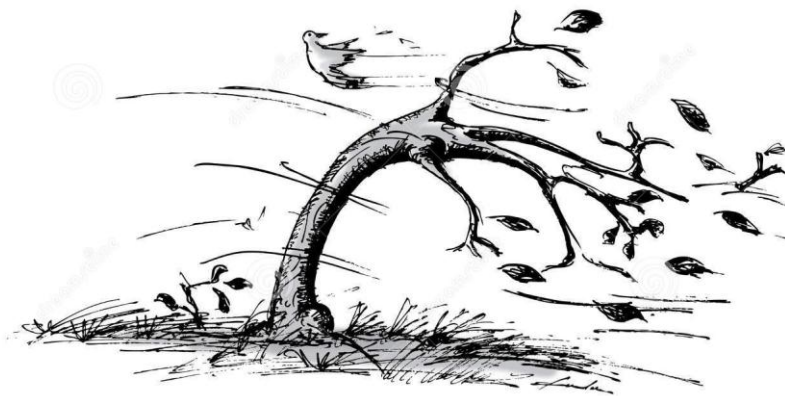


Change for good series -

Part 1:

# Building business resilience



*imaginial.*  
change for good

So you are a business owner, or you hold a management role with planning responsibilities – and you have identified that the environment you are working in is undergoing rampant and significant change.

Newspaper headlines every day speak of severe weather events, natural disasters, economic crises, housing bubbles, wars and uprisings, resource and water shortages and a changing legislative and policy environment. You may have a sense these phenomena are connected and you are concerned about their individual or even cumulative effects on your business.

You may also feel a sense of responsibility for doing better for our planet and future generations and feel the pressures of a societal shift towards waste minimization, closed loop production and social and environmental responsibility.

My name is Natalie Hormann and I have spent the last 20 years working on sustainability and resilience across all sectors. Apart from vast learning about the issues, my passion lies in leading a paradigm shift through promoting and implementing the tried and tested solutions that passionate people from around the world are developing.

Truly understanding risk and resilience is an essential step in ensuring your business can survive in these uncertain times.

To start off, I am about to help you avoid the **THREE MOST COMMON MISTAKES** business owners and managers make, when it comes to creating effective risk and resilience plans. These mistakes are so fundamental that they can actually make the difference between survival or failure of the business. Avoiding them, however, can turn this threat into an opportunity and let your business thrive.

Then, I will introduce you to the three ELEMENTS OF RESILIENCE that, once you understand them, will form the basis of really effective resilience planning. These elements of resilience are not often talked about, but will be a real eye opener when it comes to improving your understanding of how to respond to cumulative risks.

And finally, I will give you a sneak preview of the concept of sustainability 7.0 – the societal future we are headed for.

But first, let's look at those grave mistakes a lot of people make and make sure we stay well clear of them.

### **Mistake #1: Fear**

A lot of business owners are simply afraid to look the issues in the eye. And to be honest, this is totally and truly understandable. I went through a time myself when I felt the converging crises of our world were simply too huge to tackle. I felt that nothing I could possibly do would make a difference. And out of this sense of disempowerment grew denial – one of the most common responses to fear. However, there can be others, like the following

**Clammy palms or nausea  
and mild palpitations**

**Outbreaks of  
nihilism/survivalism**

**Denial**

**Exuberant optimism**

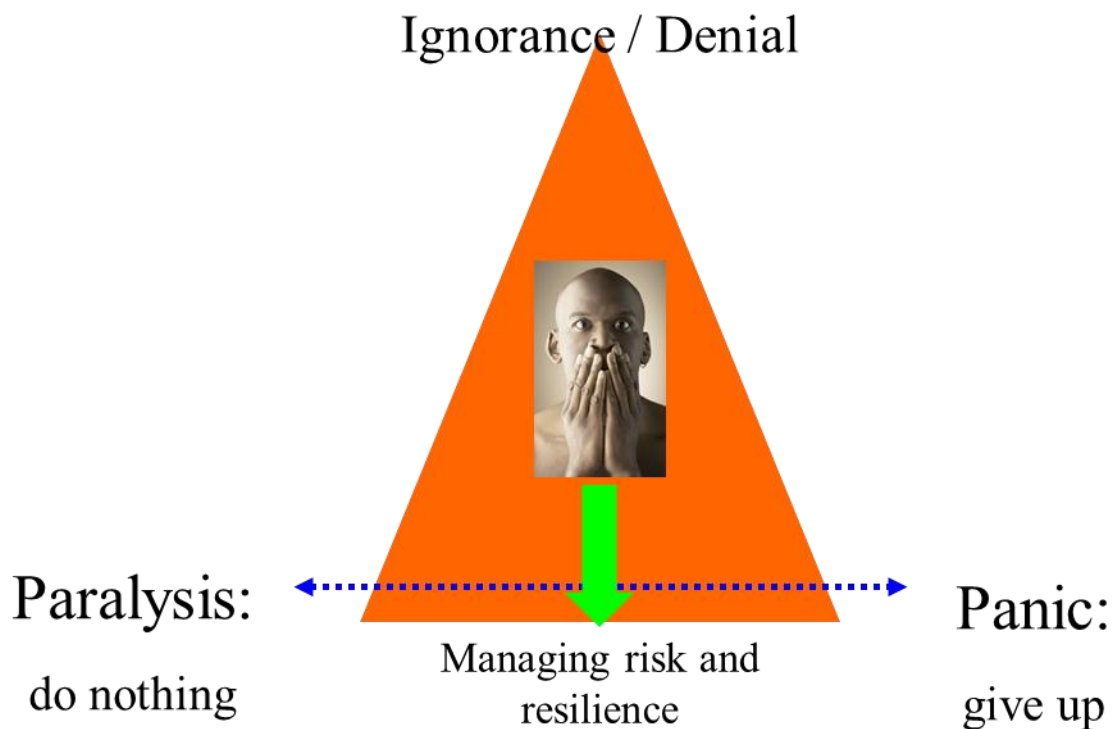
**Fear**

**An irrational grasping at  
unfeasible solutions**

**A sense of  
bewilderment and  
unreality**

**The “I always told you so” syndrome**

These – and other responses can really get in the way of taking responsible action



Let's take the middle path!

Taking the middle path means nothing more than ensuring you get THE BEST POSSIBLE INFORMATION about the extent of the challenges and even ASSUMING THE WORST CASE SCENARIO. It might help to know that most likely the worst case scenario is not what you will be experiencing, and at all other times in life it is not what I would recommend. However, for the purpose of your risk and resilience planning, assuming the worst (and hoping for the best) is truly essential. And if you end up with a bomb-proof risk management plan that results in your business being truly resilient – and then nothing happens? – No problem! You haven't lost anything. And if you are using the no-cost approaches I will be revealing to you in some later material, it won't even have cost you anything.

## Mistake # 2: Identifying risks, but ignoring the big picture

Standard risk registers that most businesses use are made up of a list of possible risks, and then assessing the severity and likelihood of each of them to come up with a mitigation action. And for a long time and in many situations this was adequate.

However, unfortunately we live in a time of CONVERGING CRISES. Climate change, peak oil and the credit crunch / economic bubbles each hold their own set up possible risks, but IN COMBINATION they may result in effects that are entirely unexpected. We are also dealing with long term risks with potentially CATASTROPHICAL effects, so generating management actions (and timing the right) is almost impossible. We don't know which one of the converging crises is going to happen first – all we know is that they WILL – at some time – occur. We also don't know which aspects of each crisis will threaten us most in times to come.

The key to addressing this issue is to actually move away from risk registers – and looking to the bigger picture.

In the face of converging environmental crisis, we can assume 3 basic things:

1. The future is going to hold challenges that require inevitable change
2. Our current systems and structures that were suitable in the past most likely lack the resilience required to survive the shocks to come
3. We will not be able to address the challenges in isolation.

Based on this assumption, our solution has to lie in building a RESILIENT BUSINESS that offers the best possible chances to survive WHATEVER it is that comes our way.

Luckily, resilience can be defined in absolute terms and once you understand the three elements of resilience, which I will outline below, you will see that planning for resilience is less complicated than it sounds.

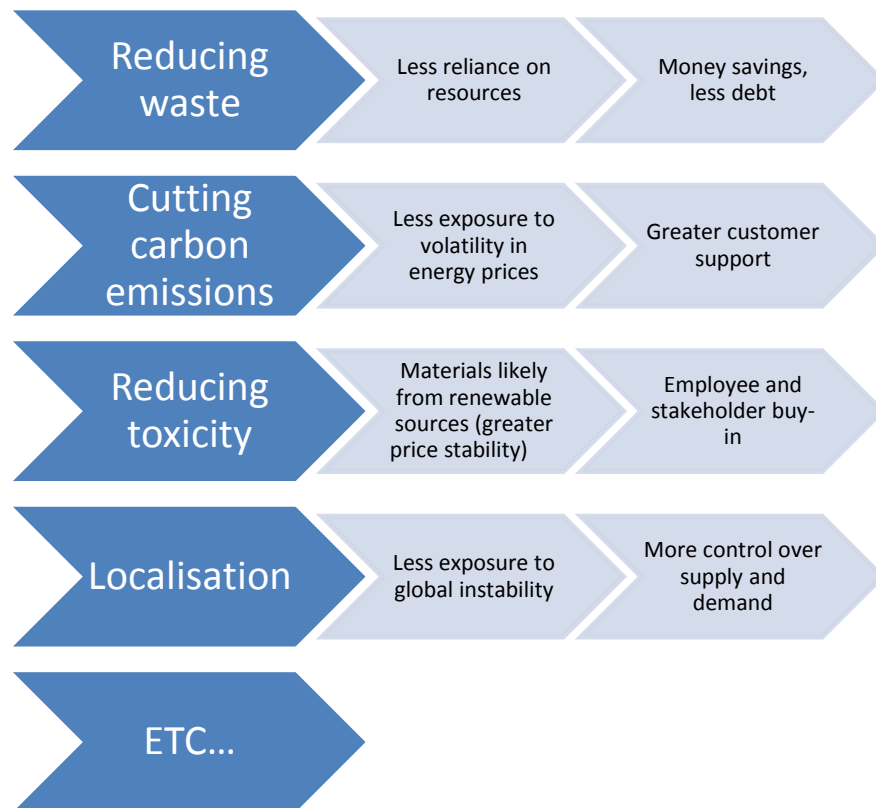
### **Mistake #3: Not capitalizing on the relationship between resilience and sustainability.**

Sustainability has become a buzzword for a good amount of time now – with both positive and negative effects. People either love it or hate it and it has been defined in many different ways. Personally I believe, sustainability is overdue for a revamp. I will speak more about this at a later stage when we talk about the concept of sustainability 7.0.

However, even based on the current definition of sustainability, resilience comes as an inherent byproduct. A sustainable system, i.e. a system that has the ability to continue indefinitely, will have to be resilient.

This means that we will be able to use sustainability measures to increase the resilience of our business.

This will give you an idea:



The thing to understand here is that we should **NO LONGER** treat sustainability as a luxury or a ‘bonus’. Taking resilience seriously means that sustainability has to become a **CORE CONSIDERATION** in our business. Because whether we like it or not, if something is unsustainable (which most of our practices at the moment are), it means just that – they are **UNSUSTAINABLE**. Which means they cannot – and will not – go on.

By taking only this concept very seriously, you are already putting yourself ahead of **MOST OTHER COMPETITORS** who still treat sustainability as an optional extra. They are choosing the short game by definition. You can make the choice to play the infinite game. A no brainer, if you ask me.

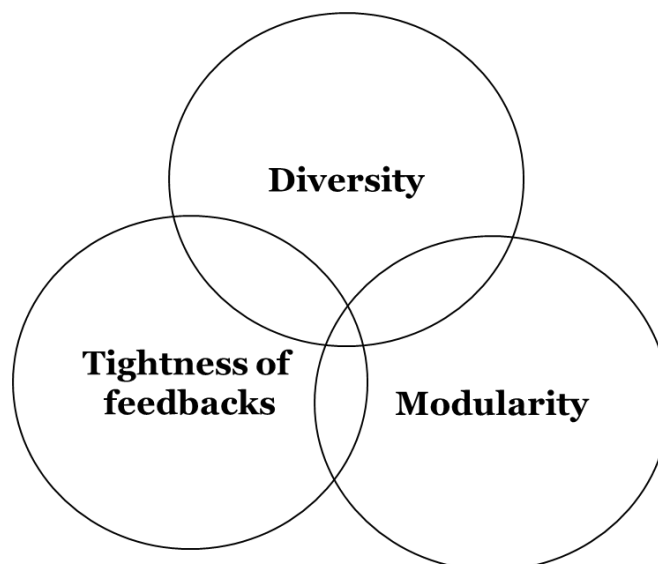
Now, having understood these three grave mistakes should allow you to really embrace the need for RESILIENT AND SUSTAINABLE business models. Time to look at what that actually means.

### **The concept of resilience:**

Resilience is sometimes defined as ‘The capacity of a system to absorb disturbance and reorganize while undergoing change, so as to still retain essentially the same function, structure, identity and feedbacks’. Whilst this is essentially true, it is hard to grasp and not always easy translate into actual meaning. If you want to create effective resilience plans, you will need to know what exactly that looks like in your business.

This question will become a lot easier to answer if you break the concept of resilience down into its three elements:

### **Elements of resilience**



Let's look at each of these elements individually.



## 1. Diversity

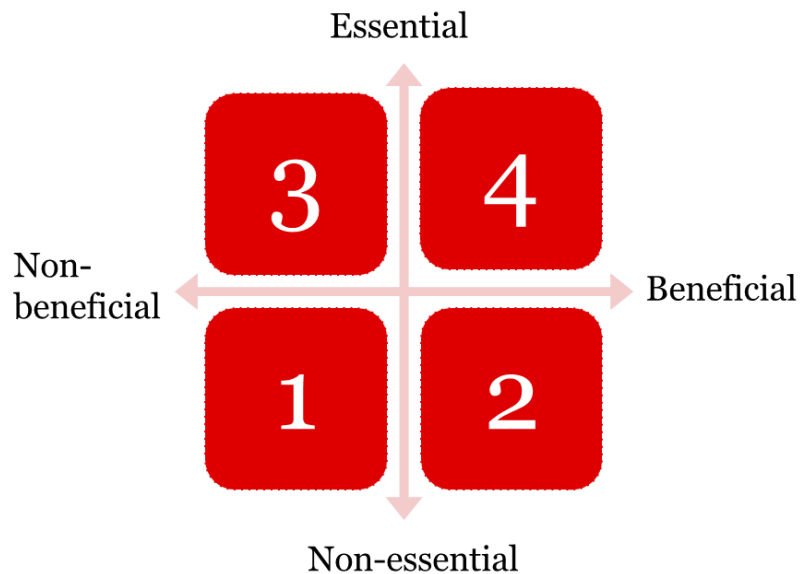
Resilient systems need diversity. As a business owner, you will know that relying only on a single client is probably not a good idea. The same goes for all other areas of business. In order to plan for resilience, you will need to ensure that EVERY ESSENTIAL ASPECT OF YOUR BUSINESS is, ideally, covered by more than one source.

This includes

- Your supply chain
- Your customer base
- Your credit

While this sounds simple as a concept, the consequences can be quite huge. They can also be contradictory to your current practices, for example if your business is based on servicing a very niche market. Because of this, you may not always be able or willing to achieve diversity straight away. However, you can, for example, plan to shift to a different market segment if necessary. Whilst this may sound like a hassle – should the need occur, it will be easier if you have planned for it than if you have to improvise in the middle of crisis.

You can also assess the vulnerability of each element and potentially shift to include a less vulnerable element. For example, if you are in the business of producing luxury food articles, you might be able to use your supply and distribution channels to also create a less discretionary item. You can assess vulnerability based on this simple matrix:



Quadrant 1 will be the first to struggle in the event of any crisis. You can use different approaches to move into a different quadrant. You can do a needs analysis (ie. What products / services are actually needed?? and move from bottom to top). Or you can add a social enterprise aspect to your business to move from left to right.

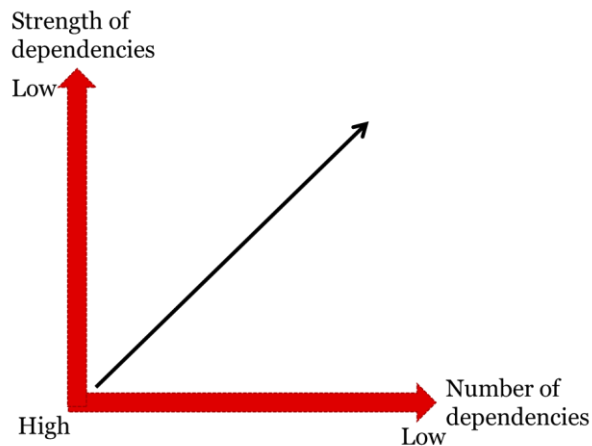
This is where creative responses are required – and we will get to the best way to generate these at a slightly later stage.

## 2. Modularity

Modularity refers to the manner in which the components of the system are linked – more modular systems can more effectively self-organise in the event of shock

Globalised networks are the opposite, e.g. banking crisis, bird flu etc. For an example of a wonderfully modular system, think Lego!

The more you can isolate your essential components from each other, the better. This is what you can aim for:

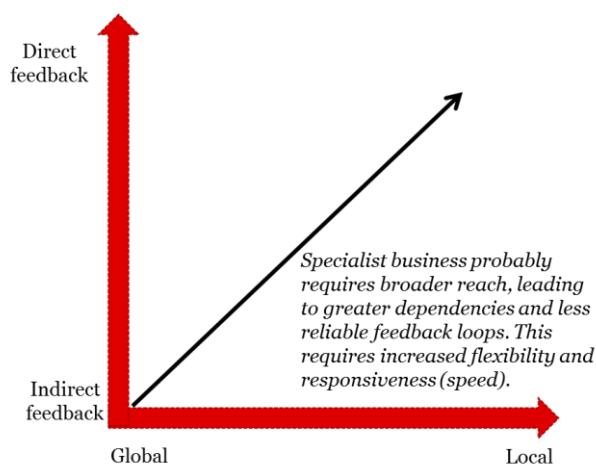


In real terms, this can mean things like

- Seeking finance locally, ie. Through savings pools or institutions like Prometheus that are less dependent on global markets
- Sourcing supplies as directly as possible to be reliant on as little middle men as possible.

### 3. Tightness of feedbacks

This element relates to how quickly and strongly the consequences of change in one part of the system are felt in other parts. Long feedbacks can increase the chances of crossing a threshold without detecting it in a timely fashion. Again, global vs. localised markets are a good indicator:



With this, we have finished our exploration into the three elements of resilience. Whilst some of the changes that are required might be daunting, the beauty of resilience planning is that you will almost always end up with a business model that is not only more profitable but also more fulfilling even under the best of circumstances!! What's not to like.

However, you will probably find that it takes some time to consider these further and translate them into what exactly they might look like for your business! And because I know that this may feel a bit daunting, this might be a good opportunity to let you know that I will be running a complete 'Building business resilience' workshop very soon! In this workshop, I will walk alongside you as you and other business owners work through all these elements to come up with a business resilience plan that will not only be the strongest it can be, but also fun, exciting and PROFITABLE!

And because I know how hard it can be take time out of working IN the business to work ON the business, we will do all that in just ONE DAY! Watch this space.

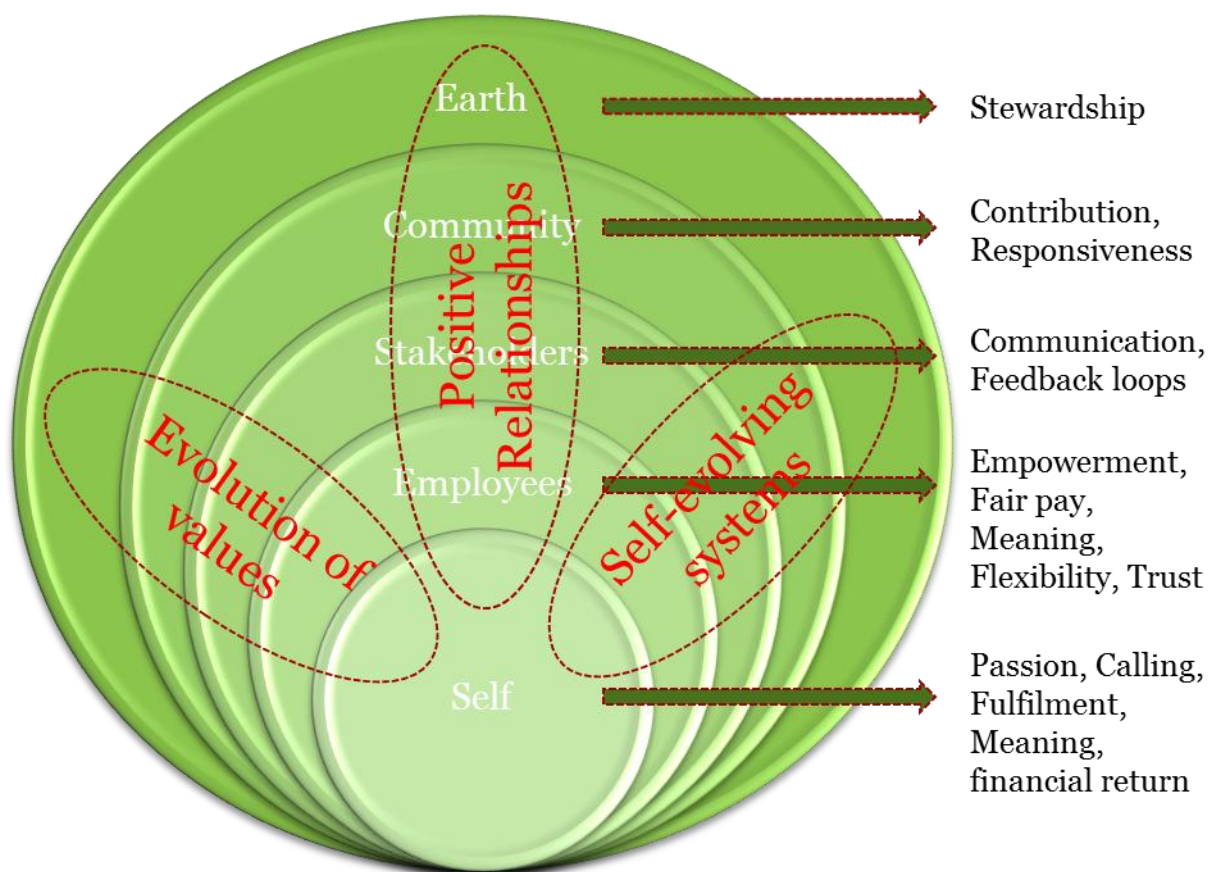
Lastly, I promised to give you as sneak preview into Sustainability 7.0 – the better world that is just around the corner. The concept fits so beautifully with our resilience topic today that I simply cannot resist.

## Sustainability 7.0

A holistic view of sustainability means sound business practice that takes into account the environment, the social field that the

business is operating in, economic sustainability - and personal sustainability - being the wellbeing of the business owners and the people working within the business.

Conventional sustainability models focus either on the environment only, or look at social, environmental and economic values separately (triple bottom line). Integrating sustainability and resilience acknowledges the requirement of positive, two-way relationships and leads to a needs-based view, omitting economic aspects. In this model, resilience is achieved because the business is deeply and inseparably embedded into its wider context.



This model involves:

An evolution of values

- moving up the pyramid, striving for fulfilment

#### Positive relationships

- based on acknowledgement of dependence, needs and mutual support

#### Self evolving systems

- providing flexibility, creativity and change

More on this will follow in part two of this series.

Until then,

Change for good.

Yours, Natalie