BUILDING RESILIENCE INTO BUSINESS STRATEGY, MANAGEMENT AND REPORTING

Principles and maturity tool to facilitate resilience in business

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Sustainability going mainstream

Today 95% of the world's 250 largest corporations reporting on their sustainability performance

Sustainability is truly **mainstream**, comparable to any other business megatrend

Drivers include: pressure of stakeholders (investors), legislation (Companies Act; King III), building reputation, competitive advantage, reducing risks.

Far from scaling back on resource use, we're consuming more resources than ever – even as sustainability mainstreams
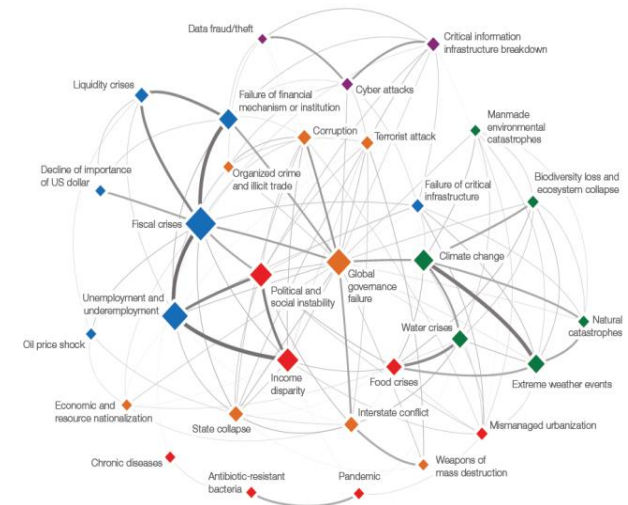
Business transition: Systems resilience

Crossing planetary boundaries
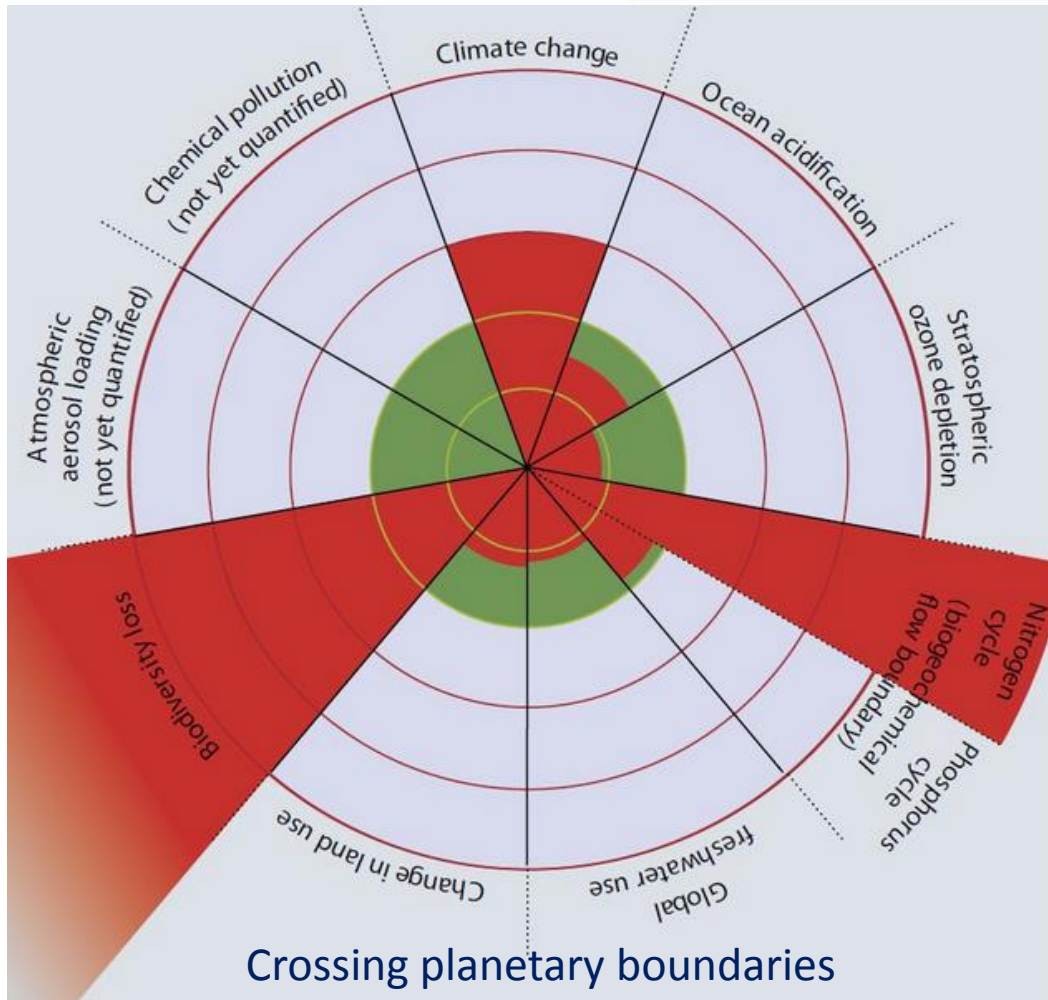
Negative consequences of globalisation:
- **Climate change**
- **Instability of markets**
- **Scarcity of energy and resources**
- **Poverty**
- **Conflict**

Figure 1.4: The Global Risks 2014 Interconnections Map

A truly interconnected world resulting in an interconnected web of cause and effect interplayed at the global, national and local scale

Emerging risks

Figure 1.5: Risks and Trends to Watch

weak institutions
overpopulation
trade issues
illegal drugs
energy shortage
migration
data mismanagement
lack of trust
natural resource scarcity
automation
pollution-induced disease
lack of innovation
rise of new superpowers
inflation
abuse of human rights surveillance
poor leadership
education gap
ideological polarization
social structure breakdown
gender disparity
ageing population

Unprecedented pace of global change

New and emerging risk for which we may have insufficient social, ecological and economic resources available to deal with them
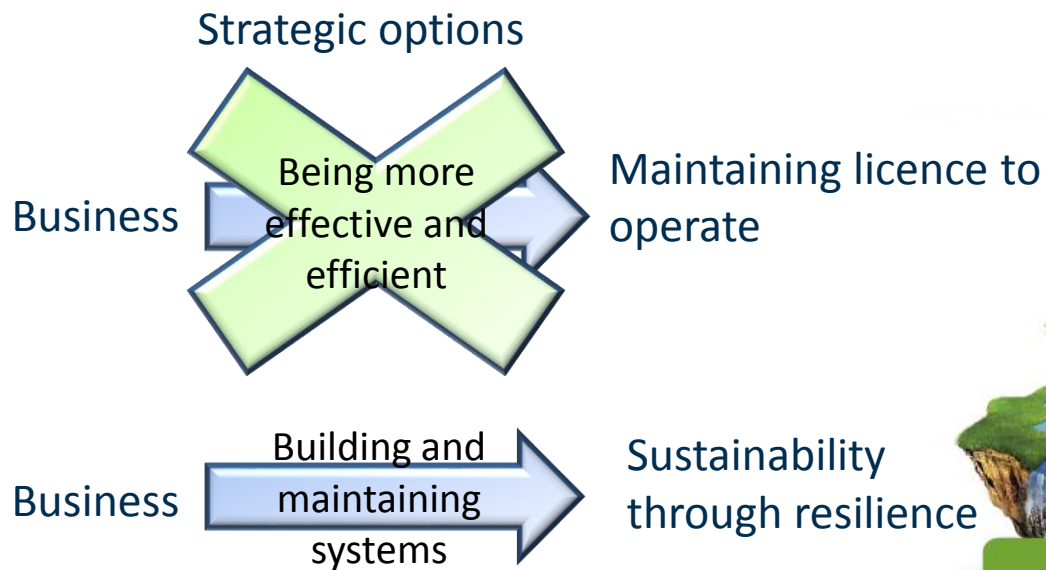
This puts our economy and life as we know it to threat

Emerging risks: A risk that is new or a familiar risk in new or unfamiliar conditions for which their uncertainty and unpredictability is a consequence of the complexity of the system in which they originate.

"Underscored by an unprecedented pace of global change, stakeholders from across business, government and civil society face a new imperative in understanding and managing emerging risks" Klaus Schwab, WEF, Global Risks 2011

Business transition: Systems resilience

Strategic options

Business

Being more effective and efficient

Maintaining licence to operate

Business

Building and maintaining systems

Sustainability through resilience

Outward approach: integrative thinking

NATURE

SOCIAL-ECOLOGICAL SYSTEM

HUMANS

Resilience is...

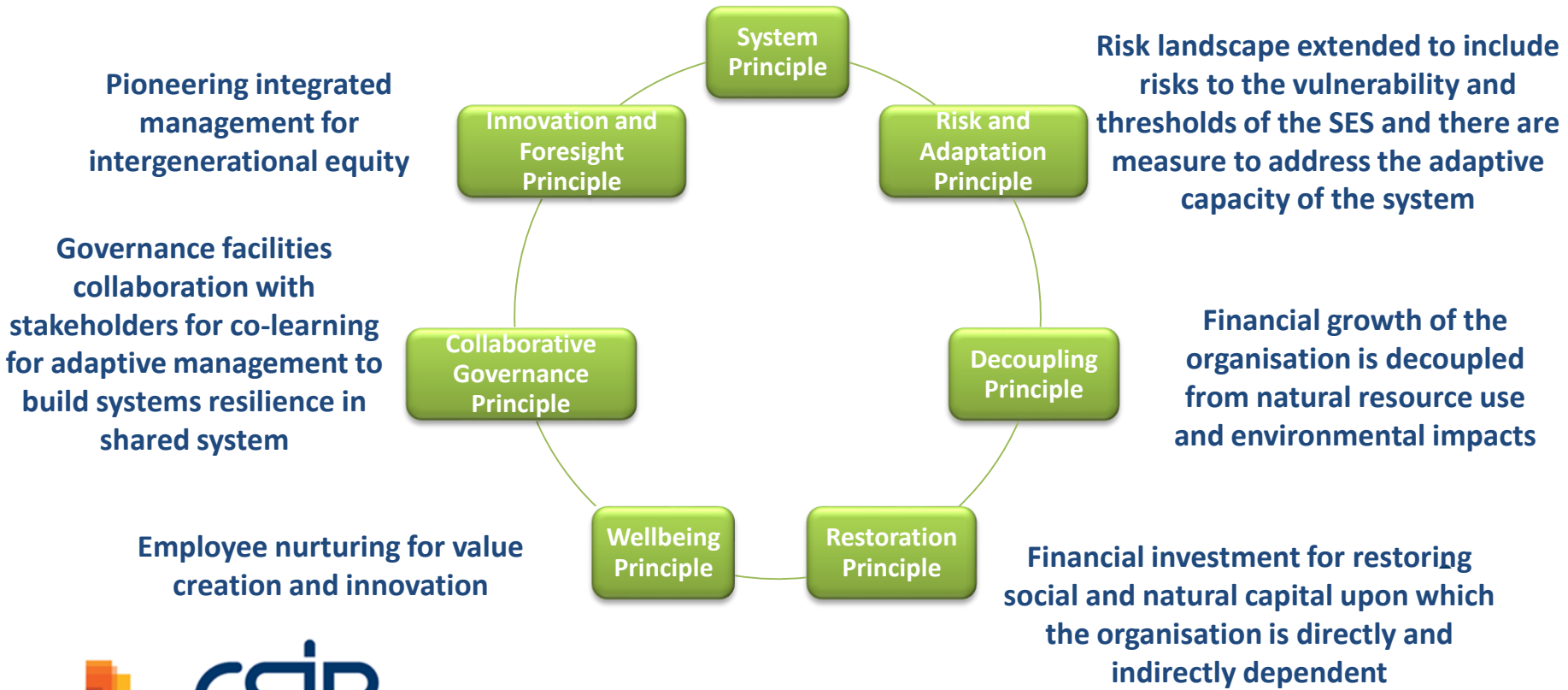| ...Bouncing back faster after stress, enduring greater stresses, and being disturbed less by a given amount of stress...	...Maintaining system function in the event of a disturbance...	...The ability to withstand, recover from, and reorganize in response to crises...
For an Object	For a System	For an Adaptive System

Research: Principles for building systems resilience into integrated management

Recognition that capitals comprises of interconnected social and ecological variables that extend beyond physical boundaries of the organisations and are shared with multiple users

Pioneering integrated management for intergenerational equity

Governance facilities collaboration with stakeholders for co-learning for adaptive management to build systems resilience in shared system

Employee nurturing for value creation and innovation

Risk landscape extended to include risks to the vulnerability and thresholds of the SES and there are measure to address the adaptive capacity of the system

Financial growth of the organisation is decoupled from natural resource use and environmental impacts

Financial investment for restoring social and natural capital upon which the organisation is directly and indirectly dependent

- System Principle
- Risk and Adaptation Principle
- Innovation and Foresight Principle
- Decoupling Principle
- Collaborative Governance Principle
- Wellbeing Principle
- Restoration Principle

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Research – Exploration of current state (example)

Principle	Current State	State	Gap
Systems principle	Understand embeddedness in a system		Do not know how to extrapolate and embrace the reciprocal relationship between themselves and the shared system they depend for value creation
Risk principle	Identify social and ecological risk that result from vulnerabilities in the system		Risks are only identified and mitigated if have direct bearing on the business operations
Decoupling principle	Committed to reducing impacts		Little reference to how impact reductions influences or contributes to global, national and local targets
Restoration principle	There are investments in social and ecological capital restoration		Investment driven by legal obligations. Imbalance in investment. No investment unless immediate benefit to organisation
Wellbeing principle	Wellbeing programmes and initiatives within organisation		Wellbeing programmes primarily to fulfil their obligations, rather than being pro-active and innovative in their approach
Collaborative governance principle	Top-down governance		Very little inclusion of stakeholder wants and needs
Innovative and foresight principle	Environmental issues as related to compliance, reducing costs, and ensuring access to resources over time		Business planning is limited to short to medium term with R&D to the immediate benefit of the business.

Business through a new lens – the business environment is changing

84% of CEOs said that they are expected to address wider stakeholder needs

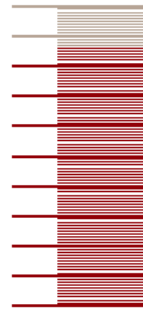82% of CEOs say they prioritise long term profitability over short term

76% of CEOs say business success is about more than just financial profit

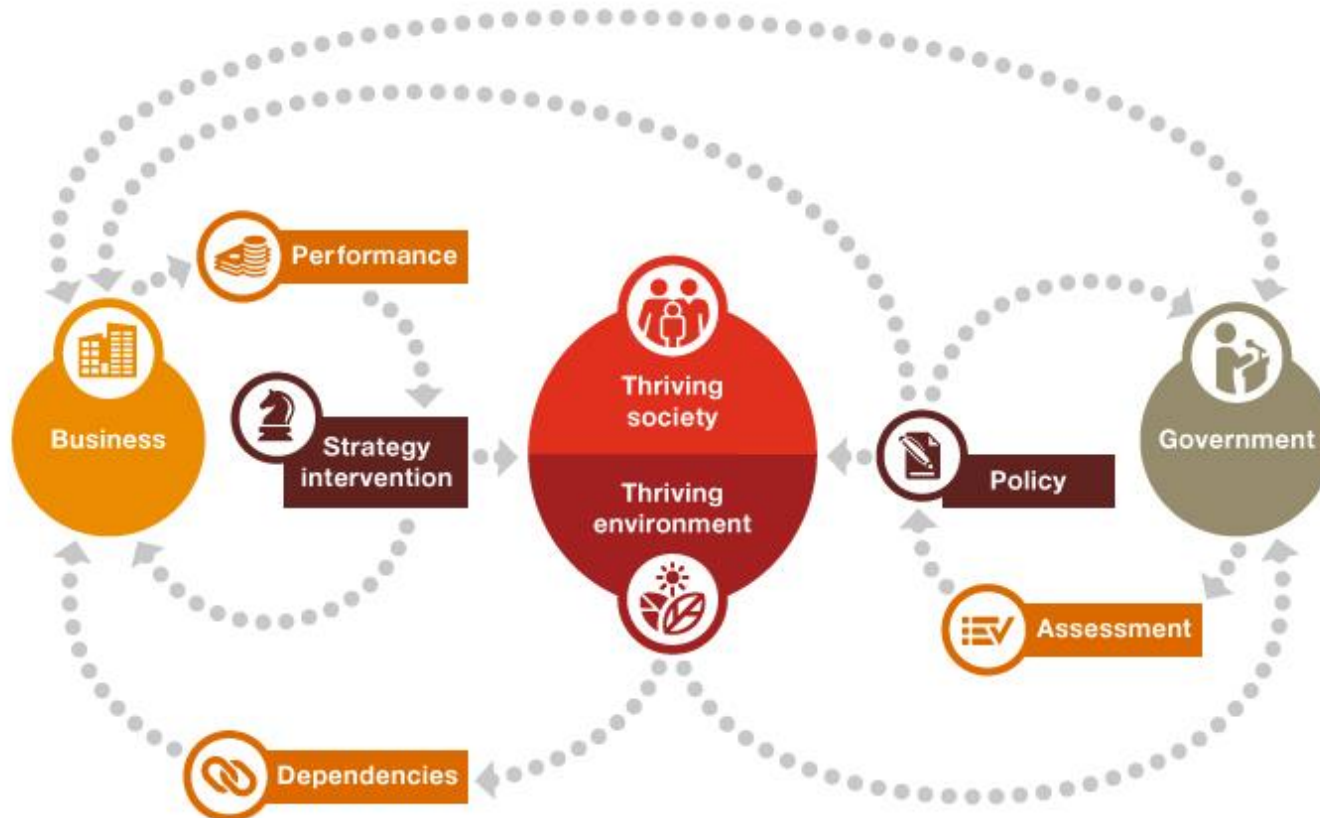72% of CEOs say they report on non-financial matters as well as financial

67% of say their purpose is centred on creating value for their stakeholders

86% of CEOs say they are changing how they measure success and what they hold themselves accountable for

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Interconnected – business in context

A case for resilience

Resilience within business is very appealing in that:

- **It enables organisations to put sustainability into context**: business is not a self contained system but rather a contributing member of a greater social ecological system upon which their existence is dependent and upon which their activities impact – resilience enables the two-way relationship to be explored

- **It enables organisations to put risk into context such that they are able to adapt and anticipate risk**: all risks are systematic in nature resulting from interconnected vulnerabilities that lie between relationships and feedback of social and ecological variables of the system

- **It enables organisations to achieve genuine value creation:** combining risk management and decision making for sustainable development within the context of the limits and thresholds of a social ecological system allows creation of value both internally and externally

Maturity tool – a walkthrough

System principle

The organisation recognises in its business strategy, governance and decision making its connected relationship with the system in which it exists.

The organisation acknowledges that it is embedded in a system such that it is ... strategy, governance ... making integrate... ...ological compone... ...tem but this is eith... ...ature or th... ...s an imbalance in this focus.

...organisation accepts that it is embedded in a system; but this is considered separate from matters such as business strategy, governance or general decision making.

Risk and adaptation principle

The organisation's risk landscape is inclusive of social and ecological risks ... pote... impact on the business. The organisation mitigates risk not on... for the business but also for the system.

The organisation's risk landscape and ca... ...to ri... ...eco... ...which have the potential to directly impact the business.

The organisation's risk landscape and cap... to risks ... the immediate business

Decoupling principle

output impacts.

...in relative terms

...its ...pacts

Restoration principle

The organisation significantly invests and measures value creation benefits in restoring natural and social capital that is directly and indirectly affected by the business.

The organisation invests in restoring natural and social capital linked to their business strategy mainly with the purpose of repairing damages caused directly by the business.

The business stra... ...does not amend for sp... ...oring natural or so... ...CSI investme... ... regulator... ...s.

CRITERIA DEFINING LEADING STATE

CRITERIA DEFINING EVOLVING STATE

CRITERIA DEFINING BASIC STATE

Maturity tool – from the guideline

GET TO KNOW THE PRINCIPLES AND ORGANISATIONAL STATES

IDENTIFY YOUR ORGANISATIONAL STATE

IDENTIFY CHALLENGES TO PROGRESSING TO THE NEXT STATE

CREATE PLANS TO OVERCOME CHALLENGES TO PROGRESSING TO THE NEXT STATE

GENERATE AN INTEGRATED FUTURES MAP OF THE JOURNEY TO RESILIENCE

WORKSHEET 1: SYSTEMS PRINCIPLE

Systems Principle

Recognition that the organisation operates within a broader social-ecological system which they share with multiple users. As such, the organisation recognises that they have impacts (both direct and indirect) for which they are accountable beyond the physical boundaries of their organisation.

For each indicator, identify the state that best describes the current status of your organisation.
'Yes' or 'no' based in whether your organisation have evidence towards the description of the indicator.
If no, then your current state for the indicator would be the previous state where you highlighted yes with evidence.

1) Accountability toward the social ecological system

BASIC STATE		EVOLVING STATE		LEADING STATE	
The organisation shows accountability towards reducing its impact on the environment and contributing towards social responsibility as a compliance requirement; but these actions are not as a result of concern for the integrity of the system in which they exist.		The organisation shows accountability towards system integrity. The nature of this response tends to be a reaction to an identified need and not necessarily related to a program that implements the business strategy.		The organisation shows accountability towards system integrity. The nature of this is through proactive formalised programs that implement the business strategy and positively influence organisation performance. In addition the business culture and value proposition of the organisation embraces whole system thinking.	
Yes:	No:	Yes:	No:	Yes:	No:

Explanation as to why your organisation is in the identified state:

Challenges/barriers that your organisation faces towards moving towards the leading state:

Action planning – your way forward

Principle	Current state (as per this analysis)	Desired state (Future goal)	Current challenges	Action plan (activity, accountable person and timeframe, required funding estimate)	Priority ranking
Systems principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Risk and adaptation principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Decoupling principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Wellbeing principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Restoration principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Collaborative governance principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			
Innovation and foresight principle	🔴 Basic 🟠 Evolving 🟢 Leading	🔴 Basic 🟠 Evolving 🟢 Leading			

Call for your participation

We acknowledge that this project is the beginning of a longer process to contributing to embed resilience into business practice, and further refinement of this maturity tool and its accompanying action plan needs to take place with companies to apply the tool in practice.

We anticipate to adopt the following approach:

- We arrange a short workshop with you, held at your offices. You may invite all that you believe will assist and/or benefit from this discussion.
- Facilitated walk-through of the maturity assessment, so that we can assist you to complete a self assessment.
- End with an opportunity for you to provide feedback on the maturity tool and its accompanying action plan.

Your participation in the refinement of this maturity toolkit will be acknowledged in Version 2 of the guideline.

You will be equipped with knowledge of how to implement an approach to resilience within your business.

For further information, questions or other resources that this project has developed please contact:

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Or

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The Building Resilience into Business Strategy, Management and Reporting can be accessed on:
http://businessrisk.csir.co.za/?attachment_id=1875
http://www.pwc.co.za/en/risk-and-assurance/performance-assurance.html