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# RESILIENCE



## the Stand-up-Strategy

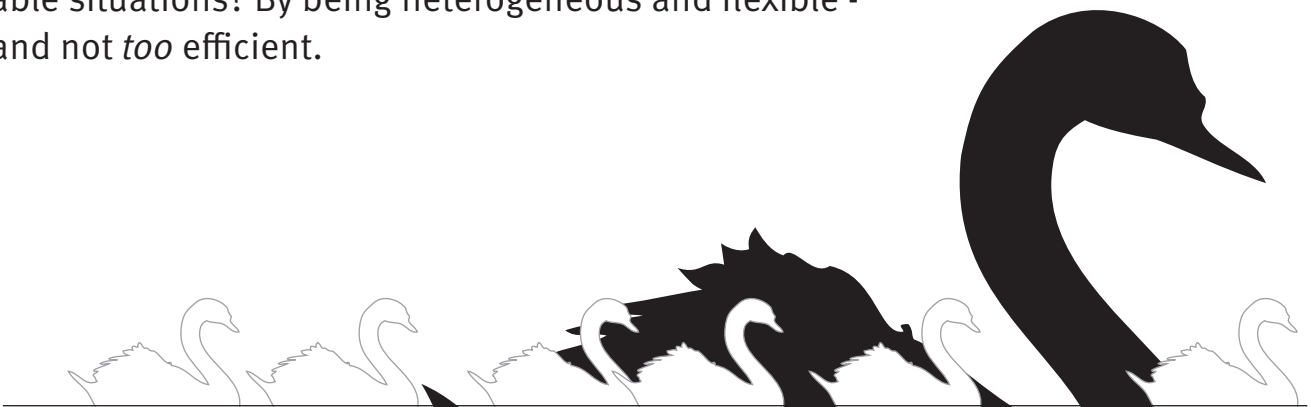
How can organisations stay successful in unforeseeable situations?  
By being heterogeneous and flexible - and not *too* efficient.

# RESILIENCE

## the Stand-up-Strategy

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How can organisations stay successful in unforeseeable situations? By being heterogeneous and flexible - and not *too* efficient.



### The Black Swan

This book was published exactly at the right moment. Still under the influence of 9/11, mathematician Nassim Nicholas Taleb developed his “Black Swan Theory”. In his understanding Black Swans are highly improbable, unpredictable incidents that have a major impact. In hindsight, people tend to claim that warning signs have always been clear, although they have been ignored collectively beforehand. Over the centuries, “Black Swan” was a synonym for the impossible, until black swans were discovered in Australia in the 17th century. Taleb published his book in autumn 2007. A year later, Lehman Brothers went bankrupt and the world drifted into a financial crisis, which evolved into a state-debt crisis. On the next escalation level, the credit bubble now threatens to collapse in the emerging and BRIC countries.

In the face of the continuing instability of the world financial system, one could argue that the single incidents aren’t unpredictable enough to be Black Swans - after all, there have been indicators and warnings. But the nuclear catastrophe at Fukushima was

definitely one, and the chain reaction leading to major changes within German energy policy and party politics is as severe as unimaginable. Black Swans occur more often, at least that’s the common feeling. The fear of systemic risks and chain reactions leads to a general gearing down in the political world. “Driving with maximum attention and constantly correcting the course” in an “extremely unstable world” are phrases from Angela Merkel’s new political programme. There might be a fear reflex involved in this diagnosis, but still there is enough evidence that major companies are more vulnerable to unexpected, external shocks. The half-life of organisations and companies is decreasing. Since 1935, the average retention time in the Standard&Poor’s 500 index, which lists the biggest US companies, has declined from 90 to 15 years. In 2020, half of the companies listed will have vanished from the index. The threat emanating from unpredictable events – financial crises, market trends or disruptive technology leaps – is constantly growing.

What can be done by affected organisations? Interestingly, the coping strategy offered by Nassim Nicholas

Taleb does not try to predict Black Swans more precisely - this would fail per definition. Black Swans always appear from the direction least expected. Instead, he recommends strengthening the overall robustness by introducing strategic measures. In this way the system becomes less vulnerable to negative shock, but is also able to adapt more quickly to positive shocks, such as technology leaps, and to better make use of them.

### Resilience: The New Sustainability

If there was a one-word answer to these challenges, the accumulation of crises, the increased vulnerability and the coming paradigm shift, it would be resilience. Deriving from the Latin word “resilire” (bounce off/jump back), the word frequently appears in physics and material science, where resilience characterises the stable, balanced state of a system respectively the features of elastic and, at the same time, robust materials. The term resilience also found its way into pedagogy and education. In the early 1970s the developmental psychologist Emmy E. Werner used it to explain in a long term study why some children, grown up on the Hawaiian island Kauai under horrible



circumstances, still turned out to be healthy and confident adults. Since then, psychologists have been trying to determine factors which are required in order not to fall into pieces in critical situations.

This process has also been reflected in a number of popular books like “Raising Resilient Children: Fostering Strength, Hope, and Optimism in Your Child” or “The Resilience Factor: 7 Keys to Finding Your Inner Strength and Overcoming Life’s Hurdles”.

For quite some time urban planners and consultants have also made use of the R-word, as code for everything that really counts in a crisis. Conferences and books on “Resilient Cities” deal with the question how disaster-hit cities like Hiroshima, Banda Aceh or New Orleans manage to recover from the devastating catastrophes they had to endure. Nowadays the word resilience has been fully integrated into English - recently the Sunday Times referred to the “most resilient” pedestrian zones in Great Britain and their fight against the decline of city centres. The frequent appearance of “resilience” in connection with “sustainability” on US websites might give a hint, that resilience as positive all-purpose term could replace this hollow buzz word. In March 2011, systems theorists, economists, climatologists and management consultants met at the

“Resilience 2011” conference at the Arizona State University with the aim “to advance the understanding of the relationships among resilience, vulnerability, innovation and sustainability” ([www.resilience2011.org](http://www.resilience2011.org)).

#### **The Fat in the Fire**

Currently management and organisational consultants show strong interest in so-called “high-reliability organisations” (HROs). These are organisations such as the military or the fire brigade, which are operating in unclear and varying environments of crises. The organisational researchers Karl E. Weick and Kathleen M. Sutcliff shaped this concept with their book “Managing the Unexpected” (by the way, the original subtitle “Assuring High Performance in an Age of Complexity” has been changed to “Resilient Performance in an Age of Complexity” in 2007). The core message identified in the studies of HROs focusses on awareness. In fact, awareness should be integrated into the daily routine without being destroyed by this routine. Furthermore, the failures of HROs teach us more than observing their functionalities. Karl E. Weick laid the foundation already in 1996 in his study about the fire brigade’s major disasters in the USA, which is still one of the most cited publications in this field.

During two forest fires in the USA, 1949 in Mann Gulch and 1994 in

Glenwood Springs, 27 fire fighters died because they were surprised by the explosive dispersal of the fire, but especially because they did not follow the orders to drop their tools. They died with their chainsaws in their hands, so close to safe ground that they would have survived if they had used the extra minute they could have gained without the weight of their tools. Weick interprets this as an “allegory for organisational studies”. It doesn’t mean that companies should drop their machinery and get rid of other assets in the time of crises. It is about the art of unlearning. Persons in charge of organisations should drop their conventional approaches and “heavy” theoretical constructs in case of an unexpected event in order to adapt quickly and react flexible.

The organisational consultant Annette Gebauer, who brought this concept to Germany (see interview p. 13), describes in an article with Ursula Kiel-Dixon how HROs acquire resilience: “Through intense training and simulations they keep prepared for various threats. Additionally, a certain degree of redundancy is integrated in their workflow.” Maybe the strongest message, and for top managers the hardest to contemplate, that can be extracted from the new paradigm resilience is: besides all organisational and psychological skills, redundancy and “slag” count

“Resilience as *business-paradigm* means that the choice between maximising profits and survivability must be decided in favour of the latter.”

as a critical resilience factors. While during the last decades business reengineering, benchmarking and the Six Sigma method was used to gain as much efficiency as possible in global value chains, one must realize that efficiency isn't everything. It can actually be dangerous. Resources held as precaution and a certain degree of extra efforts can make the difference between "life and death". This is no excuse for inflated capacities in organizations, but a strong point to go for overlapping, variety and diversity.

Here the analogy of natural ecosystems can be used: An overbred monoculture is highly efficient, but very vulnerable to pest infestation, contrary to a diverse biotope, which is more resilient against shocks and intruders. Bernhard Lietaer, a financial expert who also worked for the Central Bank in Belgium, states that the overdone efficiency of the world finance systems is the main cause of the economical crisis and pleads for more variety and alternative currencies. In an interview with the German economic magazine brand eins Lietaer emphasises that nature does not seek efficiency, but the capability to survive. Organisations should therefore analyse which is more important to them: "In natural systems there is an asymmetry between efficiency and resilience. A system must be twice as stress resistant as it is

efficient in order to survive on the long run. Around the point of optimal balance there is only a small sector, the 'Vitality Window', in which the system stays sustainable. Outside of this narrow spectrum it is either not efficient enough due to the high level of variety and interconnection or the system is not resilient enough because it has too little variety and interconnection."

#### Living weatherproof

Resilience as an upcoming business-paradigm means that the choice between maximising profits and survivability must be decided in favour of the latter. In the field of lifestyle it is also about finding the right balance and answering the question "Money or life?" in favour of life. It is also about not putting all the eggs into one basket. LOHAS, the "Lifestyle of Health and Sustainability" is a fair weather programme. Whereas LOR, the 'Lifestyle of Resilience', is about making the principles of resilience into the maxim of your personal life-concept. The corresponding principles are deceleration, a thoroughly differentiated portfolio of capabilities and risks as well as investing into relationship networks. Potential financial losses or changes in the social status are compensated by additional backing, social grounding and the calming feeling of being better prepared against the Black Swans of your private life.

The trick to obtain a resilient life is to find the right balance, the personal Vitality Window: to watch out for destructive traumata, but at the same time to avoid protecting oneself too much. As a synonym for relaxation in the face of blood, sweat and tears the Swiss Gottlieb Duttweiler Institute created the German verb "churchillien". It reminds of the slogan "keep calm and carry on" during the Second World War, which was stated to raise resilience within the British public and which, in the end, helped to win the war.

#### Further reading:

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