

## In Today's Changing World, Strategic Resilience is Essential

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**Today, change is a constant. Technological innovations are happening at a fast pace, and cyber threats are on the rise. Global climate concerns are increasingly urgent. Shifting social movements and political uncertainties are the norm. Disruptions in supply chain, inflationary pressures, and price volatility add to the unpredictability. To succeed in an ever-changing environment requires systemic advanced planning and the ability for rapid response.**

### From Risk Management to Strategic Resilience

To address the unpredictable, many corporations engage in risk mitigation. Managing for risk means looking ahead to predict possible business disruptions, and developing plans to protect against them. Risk management strategies may include financial and operational actions to be taken at the onset of a crisis to avert immediate negative effects on performance.

According to a survey of 200 senior executives and risk and insurance professionals across industries and countries, conducted by FERMA (Federation of European Risk Management Associations) and McKinsey, risk management efforts in the past focused on a predetermined set of risks, primarily financial. Now, especially post-pandemic, resilient organizations seek to weave risk management into long-term corporate strategies. Nearly 60% of those surveyed reported improved resilience capabilities, while approximately two-thirds said resilience is now central to the strategic process in finance, operations, digitization, and technology. (McKinsey.com 3/9/2022)

### Short- vs. Long-Term Mindset, Timely and Insightful Data Key

Crises may be intermittent, but as Covid demonstrated, their effects can be long-lasting. Resilience planning requires a shift from short- to long-term perspective. According to Simone Allan, Managing Partner of IMSA Search Global Partners Australia and CEO of Mondo Search, senior executives must possess foresight and the ability to manage for the present and future concurrently: "When viewed with a long-term mindset, crises can be the foundation for new opportunities and potential competitive advantages. For our clients, this talent is in high demand."

Data is central to today's decision-making. During a crisis, resilient rapid response depends upon that data being current and reliable. The FERMA-McKinsey study gives examples of digital upgrades which turned crisis into opportunity:

- AI-technology identified unusual consumer ordering patterns, which resulted in a quick decision to access alternative supply channels
- Smart supply chain digitization revealed surge in cargo demand, predicting port congestion, which resulted in the decision to shift from container shipping to bulk carriers
- Updated remote-work technology extended cybersecurity into peoples' homes, which resulted in a smoother upscaling in the transition from in-person to remote work

### Framework for Strategic Resilience

To build resilience, companies must be willing to invest in possible redundancies, trading short-term efficiencies to expand their adaptive capabilities and, ultimately, grow long-term value. Planning must be system-wide, breaking down typical silos and engaging across functions, teams, departments, and divisions.

Strategic resilience requires a multi-faceted perspective. Consideration of the past, present, and future from a wide variety of contexts is critical. The international consulting firm Accenture provides a framework for analyzing trends and informing scenario planning – PESTEL which stands for political, economic, social, technological, environment, and legal. Using industry and company-wide financial, operational, marketing, and sales data, risks can be analyzed and opportunities identified, guiding sound decision-making to improve resilience. (Accenture.com 10/25/2022)

Business leaders must manage for current and future challenges, ready to pivot quickly, recover, and excel. Include multiple perspectives of vendors and customers. Operationalize scenario planning with early warning systems. Build redundancies of cash, suppliers, facilities, digital solutions; and diversify business lines where possible. "Talent is also a factor in building in resilience. Today's successful companies are willing to hire and nurture employees who can deliver the right skills not only for today's needs but also for projected needs in the future," says Simone Allan.

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