

A man in a grey suit and white shirt is bent over, struggling to hold a broken, light blue umbrella against a heavy rain. The umbrella is shattered, with pieces flying off. The background is a cloudy sky with rain falling. On the left side, there are three overlapping circles: a large blue one at the top, a medium orange one in the middle, and a small blue one at the bottom.

eraneos

Article

Resilience as the answer to "Never normal"?

November 2023

Summary

The global pandemic presented societies and the world economy with undreamed-of challenges. By the time the pandemic ended, people had started referring to the new working conditions as the "new normal."¹ In reality, however, we didn't move on to a new or even an older "normality," but are currently sort of stuck in a permanent state of "never normal,"² where smaller and bigger events newly generate and uphold a high degree of volatility and uncertainty for organizations. This article investigates the question whether organizations need to tackle this situation quickly and in a lasting manner, and whether the concept of organizational resilience could be a suitable answer to this state.

Introduction

In the past few months, resilience has almost become a buzzword, although it's seldom explained what exactly is meant by this word. Advertising brochures, for example, will claim that crisis management, or BCM, makes a company more resilient. This isn't generally wrong, but only covers a small part of the resilience concept. This article interprets resilience as a combination of measures to improve readiness and the reaction to crises and to enable a return to a stable condition. Organizational resilience as a working hypothesis for organizations would be reached when the organization can react adaptively and dynamically to significant changes and apply the "safe to fail" and "survival of the fittest" principles to ensure that it can survive even the most severe crises. It's important to know that resilience isn't seen as a state that you can switch on or off at short notice when needed, but rather as a journey.



¹ Cf. Peter Hinssen: The new normal: Explore the limits of the digital world, Lannoo

² Cf. Peter Hinssen, The never normal – keynote speaker at Gartner London, 2022

The "never normal" context

The world was already "VUCA,"³ i.e., volatile, uncertain, complex and ambiguous before the pandemic. We survived COVID and were then told that we've arrived in the "new normal." However, "new normal" would mean that we've reached a new but stable state, but in a short span of time we've experienced many unsettling events.

Have we become more digital since? For sure. Are we better off than before? That's debatable. New problems lurk in the slipstream of the rapid digitalization, which was massively driven by the bottlenecks caused by the pandemic. For example, in many cases the implementation of technology security could not keep pace with the growing potential for attack and, unsurprisingly, provided a breeding ground for wide-ranging new cyber threats.

In the new, post-pandemic dimension, this previously observed VUCA situation has seemingly become a permanent state by virtue of the parallelism of events and multidimensionality. This gives rise to the question whether we can actually return to a state of normality in the short or medium term, and whether the need to develop organizational resilience isn't absolutely crucial for organizations.

Triggers and drivers of "never normal"

There are many other flash points, conflict situations and other sources of trouble that have the potential to create new and far-reaching problems for companies and organizations. And of course, nobody knows from what direction the next shock will come. We can, however, almost certainly assume that one or more of the following four triggers could be activated:

1. Disruptive technologies: In the past (and certainly in the future too), research, science and product design have regularly created disruptions that threaten entire industries and locations.

- 2. Geopolitics:** Geopolitical actions have a very fundamental impact on local, national, regional and even global trade relationships and supply chains – we just recently saw new conflicts arise (Ukraine) and old conflicts flare up again (Palestine). Although these conflicts very seldom come as a total surprise, their dynamics and impact are often underestimated or even willfully ignored.
- 3. New biological triggers:** We can be almost certain that we'll be confronted by new pandemics sooner or later because the networking of the planet and the potential for more viruses to spread have grown rather than shrunk.
- 4. Ecology/climate:** The climate and the consequences of climate change are likely to become established as a constant source of uncertainty as well as further shocks and crises. As renowned researchers have demonstrated, the global climate system is already under great strain and could cause not only temporary but also permanent changes.

It can certainly be argued that such or similar triggers were also around in earlier times. And not all of these triggers create stress for everybody, because each crisis also has its winners. But today they fall on an interesting breeding ground fed by four drivers that simultaneously and interactively animate, supplement and complement each other.

³ This term has its origins in the military context. It was first used in 1987 and is based on the management theories of Warren Bennis and Burt Nanus.

The first important factor is **"hyperconnected"**: regardless of where in the world something happens, it can have an effect in many places in the world – follow-up events can be triggered in totally different places, either because of technical connectivity or media coverage. The second factor is **"ultraspeed"**: this refers not only to the worldwide network, but also to the speed and momentum with which information can be spread and its effects unfold. The third factor is **"non-linearity"**. While it used to be fairly normal practice to use past data to predict the future – for example when drawing up budgets – (because it was always like this), we're finding it increasingly difficult to make useful forecasts about what will happen next and how things will unfold. This is connected to the fourth factor, **"superfluid"**: this describes how it has become ever more difficult to differentiate markets, sectors and even regions because boundaries are becoming increasingly blurred.⁴

So if any event from one of these four sources occurs, it can, in combination with the drivers, have many aftereffects. Let's take the Ukraine war as an example of a geopolitical event in 2022. Russia's invasion of Ukraine triggered many socially and economically relevant scenarios all around the world. These include various supply chain interruptions that affected several industries (e.g., automobile sector). It has to be assumed that some of these interruptions will be permanent as there have already been wide-ranging destruction. The invasion also triggered the migration of millions of refugees who had to find shelter across Europe at short notice, which naturally caused administrative, financial and logistical problems in these countries that had to and still have to be managed. It is widely known that the targeted tactical shortage in the energy supplied to Europe by Russia put enormous pressure on energy prices, which fanned fears of an energy scarcity and significantly boosted inflation. Europe's immediate reaction was to impose

sanctions on Russia and its allies, which caused various unforeseen difficulties in the trading relationship with Russia or led to the loss of the Russian market or even the expropriation of Russian assets abroad. These economic scenarios were exacerbated by encounters in cyberspace that caused collateral damage in various locations. Seen overall, this proved to be a turning point for the European security architecture and has already had a profound impact on defense spending. Russia seems to be willing to pull out many stops, and its blockade of Ukraine's grain exports has also caused food scarcity in many third-world countries. In this context, the possibility that the situation could ignite further problems and instability, for example in the Middle East, cannot be ruled out.

Quintessentially, this means that one can really only advise organizations and companies to prepare themselves urgently and sustainably for other – most probably highly destabilizing – events.

Findings – traps

Neither the VUCA world nor the experience of uncertainty and crises is wholly new. Findings have already been documented on how organizations can best cope with such framework conditions and what they should best avoid. Surprisingly, however, organizations or their decision-makers regularly seem to fall into some of the same traps.

Most of these stem from bias in observation and the resulting action. The term *bias* means "cognitive distortion." Such distortions are mostly based in systematic mistakes – for example prejudices or selective perception. Bias can originate from three sources: Feedback from our senses and its cognitive processing, sociological imprinting by environment, education and training, and finally the own personality. Greatly simplified, this means that we – sometimes consciously and sometimes unconsciously – restructure information that doesn't "suit" us until it fits our world

⁴ Based on Peter Hinssen, The never normal speech, Gartner, London, 2022

view.⁵ This can lead to prejudices, selective perception or, in the simplest case, optical illusions. This mechanism is perfect for coping with our everyday lives, but can boomerang very badly when we have to assess complex (economic) risks arising from scenarios such as those described above. The following is a small selection of typical mistakes:

- **Probability trap:** Although the overwhelming majority of people aren't natural statisticians, they almost exclusively assess and interpret risks on the basis of probability. If we keep in mind that such an approach requires a comprehensive knowledge of statistics, comprehensive data on the matter to be assessed, an appropriate distribution function and solid framework conditions, it becomes clear that the potential for error is very high, both for the person who does the assessment and for the person who interprets the result.⁶
- **Lack of responsibility:** Who coordinates the organization's defense? This point can be best explained by an example from the world of American football. First, we should know that a football team always has an offense line to make sure that points are scored, and a defense line to prevent the other team from scoring. An extremely successful trainer said: "Offense wins games, defense wins championships."⁷ Applied in a business context, this means that a company not only needs a head of sales, but also a chief of defense. And there are relatively many companies that haven't even defined such a position, let alone appointed such an officer.
- **"Quick and dirty trap":** In many organizations, the daily workload promotes behavior models that focus on solving all problems as quickly as possible just to get them off the table. Daniel Kahneman, winner of the Nobel Prize in Economics, calls this System

1 thinking.⁸ But in the context of permanent threat states, such an approach is more likely to lead to firefighting exercises rather than sustainable solutions.

- **Dynamics trap:** Dynamics are an essential component of any crisis. Because things happen quickly, answers and solutions also have to be delivered quickly. This usually poses great challenges to the players, in particular if they haven't experienced such dynamics before and aren't prepared for and/or familiar with them.

These few examples clearly show how mindset and the resulting setup of an organization can have a lasting effect on whether, how and when an organization can identify a threat in good time and how it reacts to such a threat. These are the basic elements required to grow into a resilient organization.

Findings – lessons

There are also, of course, positive lessons to be learned from the context of great uncertainty and crises. The starting point was the collaboration with a British think tank to identify the key aspects of "Brilliance in Resilience,"⁹ i.e., those aspects that have been proven time and again to be key factors for successful resilience. The groundwork was laid by evaluating and comparing analyses and models of BCG, McKinsey, PWC and other consultants. The following six aspects were identified as common denominators:

1. **Vigilant realism:** This means that organizations must in principle assume that disruptions can always occur. One should therefore always ask critical questions and proactively prepare for all eventualities, even for scenarios that may seem improbable.
2. **Multidimensionality:** This aspect focuses on diversification and separation in all respects. Diversification, variability and separation across products, manufacturing processes

⁵ Cf. also Kahneman & Thaler; Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias, JOURNAL OF ECONOMIC PERSPECTIVES, VOL. 5, NO. 1, WINTER 1991 (pp. 193–206)

⁶ Cf. also Gerd Gigerenzer, Das Einmaleins der Skepsis, über den richtigen Umgang mit Zahlen und Risiken

⁷ "Defense wins championships" is a football saying made famous by the well-known trainer Bear Bryant in the 1980s.

⁸ Cf. Daniel Kahneman, Schnelles Denken, langsames Denken

and income streams may mean that problems that occur in one area can be compensated for in another.

3. **Constant reinvention:** Another key aspect is the organization's willingness to constantly experiment and adjust, or even to totally reinvent itself in an emergency.
4. **Sensible objectives:** Having clear values and objectives, pursuing them with passion and acting in accordance with them contribute greatly to an organization's resilience. This creates a sense of belonging among the employees. It's also important not to see difficulties as something unpleasant, but to accept them as challenges that demand a positive reaction.
5. **Entrepreneurial leadership:** Naturally, the quality and style of leadership is also a success factor. It usually not only determines the goal, but also defines aspects such as the corporate culture and the company's ability to deal with mistakes.
6. **Strategic foresight:** And last but not least, strategic foresight is one of the success factors. This can be promoted, for example, by scenario planning and crisis simulations.

Resilience 360 by eraneos as a possible solution

As a result of this study, eraneos has developed a concept called "Resilience 360" that can be used to measure an organization's exposure to different scenarios and to carefully analyze the organization's setup for coping with such scenarios. To analyze the setup, the organization's resilience capabilities are tested for seven dimensions. These seven dimensions are:

1. Strategy
2. Leadership and culture
3. Data and technology

4. Processes and operations
5. Products and services
6. Resources
7. Ecosystem

The results are used to define a resilience index that shows in aggregated form the status of the organization's resilience skills and makes it possible to recognize at an early stage how well it is prepared (or not) to deal with the possible scenarios.

Conclusion – clear arguments

Given the fundamental framework conditions set out above and the current drivers, it can be assumed that organizations will have to prepare



⁹ "Brilliance in Resilience" Report by Critical Future London, 2022 for eraneos. The report can be requested from the author.

for a state of "never normal." The conceptual elements of organizational resilience are quite suitable for better preparing organizations for such a "never normal" state. Three arguments favor this: Firstly, the impact of events is demonstrably absorbed better, possibly because the combination of structural and reactive measures may mean that the organization isn't hit as hard as its less prepared competitors. Secondly, the organization can adapt more quickly to the extraordinary situation. And thirdly, it can return to stable operations faster.

There are two factors, however, that might prevent an organization from going this route in spite of the convincing arguments.

1. Triggered by the short-term focus on quarterly results, **the bias problem described above** has convinced many managers in the past to "wait and see" rather than become proactive.
2. **Resilience takes time**; it can't just be switched on. Building resilience can be compared to running a marathon rather than sprinting. Experience has shown that the fast pace of modern life makes it more difficult for people to invest in activities that will only deliver results at a later time.

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