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

Negative consequences of globalisation:
• Climate change
• Instability of markets
• Scarcity of energy and resources
• Poverty
• Conflict

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

Crossing planetary boundaries
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
- Being more effective and efficient
- Building and maintaining systems
- Maintaining licence to operate
- Sustainability through resilience

Outward approach: integrative thinking

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

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

**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.
## Research – Exploration of current state (example)

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

Risk and adaptation principle
The organisation’s risk landscape and capacity to adapt to risks is inclusive of social and ecological components of the system.

The organisation acknowledges that it is embedded in a system such that it is not separate; it recognises that its business strategy, governance and decision making are connected to the system.

Decoupling principle
The organisation’s risk landscape and capacity to mitigate and adapt to risk is inclusive of social and ecological factors.

The organisation recognises that it is a part of a system and that its business strategy, governance and decision making are connected to this system.

Restoration principle
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 strategy does not amend for spending in restoring natural or social capital with CSI investments motivated by regulatory requirements.
## Maturity tool – from the guideline

### 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

<table>
<thead>
<tr>
<th>BASIC STATE</th>
<th>EVOLVING STATE</th>
<th>LEADING STATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yes:</th>
<th>No:</th>
<th>Yes:</th>
<th>No:</th>
<th>Yes:</th>
<th>No:</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>Principle</th>
<th>Current state (as per this analysis)</th>
<th>Desired state (Future goal)</th>
<th>Current challenges</th>
<th>Action plan (activity, accountable person and timeframe, required funding estimate)</th>
<th>Priority ranking</th>
</tr>
</thead>
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<tr>
<td>Systems principle</td>
<td>▢ Basic ▢ Evolving ▢ Leading</td>
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<td></td>
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<tr>
<td>Risk and adaptation principle</td>
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<td>▢ Basic ▢ Evolving ▢ Leading</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decoupling principle</td>
<td>▢ Basic ▢ Evolving ▢ Leading</td>
<td>▢ Basic ▢ Evolving ▢ Leading</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wellbeing principle</td>
<td>▢ Basic ▢ Evolving ▢ Leading</td>
<td>▢ Basic ▢ Evolving ▢ Leading</td>
<td></td>
<td></td>
<td></td>
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<td>Restoration principle</td>
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<td></td>
</tr>
<tr>
<td>Innovation and foresight principle</td>
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</tbody>
</table>
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