



# ***Ensuring Organizational Resilience in Times of Crisis***

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## **ABSTRACT**

*Organizational resilience is a topic of increasing relevance and interest in the contemporary business world. The ability to successfully manage crises has likewise assumed an instrumental role in determining the future success of organizations, as well as their survival. The author advocates a synergistic approach to the development of the organizational resilience required to enable an organization to withstand crises. This proactive approach incorporates strategic management, risk management, and crisis management.*

## **Introduction**

Thirty years ago, in 1981, Russell Ackoff, a Professor at the Wharton School of the University of Pennsylvania, authored the visionary text, *Creating the Corporate Future*. He challenged readers to consider the two diverse approaches available to senior managers of an organization with respect to the future. The approach persuasively advocated by Ackoff was a proactive one in which organizational leaders were challenged to engage in the necessary environmental scanning to develop a realistic understanding of the organization's current situation, as well the opportunities and challenges that it faced in the environment in which it operated.

He further advocated that armed with this understanding, these leaders would be equipped to engage in the proactive development and implementation of plans that would position the organization to achieve its desired future state, and essentially create its corporate future. Ackoff contrasted this proactive approach with a reactive approach, wherein organizational leaders, rather than engaging in advanced planning, were willing to let the course of events play out and accept and deal with the resulting outcomes, when and as necessary.

Interestingly, this same visionary leadership demonstrated in the professional work and contribution of Russell Ackoff, constitutes an essential element of successfully implementing the proactive approach that he advocated. His work has likewise served as a catalyst to many within both the academic and business communities.

While many things have changed in the thirty years since the publication of *Creating the Corporate Future*, the importance of a proactive approach to strategic management is certainly not one. In fact, proactive strategic planning is no doubt more important in the technology-enabled global world in which contemporary organizations conduct business.

## **Anticipating and Planning for a Likely Future**

Most contemporary organizations and those that lead them appear to be practicing what Ackoff earlier preached, as evidenced by the proactive strategic management approach utilized in most successful contemporary organizations. These organizations engage in environmental scanning activities in the interest of identifying the strengths and weaknesses of their organizations, in light of the opportunities and threats present in the environment. Based on this understanding, a realistic mission statement, strategic goals, strategies, and objectives are formulated. This proactive planning is followed by the implementation of strategies and evaluation of their success in terms of achieving the organization's goals, and ultimately its mission.

Were one to assemble and review a representative sample of the strategic planning documents that contemporary organizations have developed and implemented in the interest of "creating their corporate future," many commonalities in terms of the language used in the articulation of organizational mission and in the formulation of supporting strategic goals would likely be discovered. Most of these plans would



represent a realistic and proactive approach to strategic planning and organizational leadership. While typically not incorporating the word “success,” review of these plans would reveal that in most cases the plans were developed in pursuit of a successful future, oftentimes involving organizational growth and enhanced success, as the intended future state or destination at the end of the organization’s pilgrimage portrayed in its strategic plan.

### **Things do not Always go as Planned**

While a proactive approach to strategic management is an integral determinant of the success of any contemporary organization, regardless of the nature of the business or its orientation with respect to profits, the world of business has always been and will continue to be one fraught with risk and uncertainty. While informed strategic planning, based on the insights gained through environmental scanning, will certainly contribute to business success, such outcomes are often less predictable today.

The present domestic and global economic challenges serve as undeniable illustrations of the realities facing contemporary businesses. Interestingly, if one were to return to a review of the earlier mentioned collection of strategic planning documents, it would be unlikely that you would see the articulation of the desire that the organization “survive” anywhere in its mission statement. Regardless of its length or how elaborately worded a mission statement may be, words like “survival” are rarely, if ever, contemplated for inclusion. While such language may not be incorporated in the mission statement from which an organization gains essential strategic direction, concerns about organizational survival are more prevalent in the corporate world than they were in earlier times, such as when Ackoff authored his seminal work.

### **Is Risk Management the Answer?**

Over the years many organizations have utilized risk management processes and tools to gain an understanding of the risks that they face and implement appropriate risk management strategies to either reduce or minimize these risks. A number of traditional factors are considered in identifying existing and likely future

risks. These risks are assessed and prioritized in terms of their frequency and severity. An appropriate set of risk management strategies are selected and implemented. The selected risk management strategies typically involve the avoidance, reduction, sharing, and/or retention of risk. While an effective risk management program is obviously essential in the challenging world of contemporary business, risk management falls short of being the total solution to addressing risk and uncertainty in that, regardless of the diligence of an organization’s strategic planning and risk management activities, unanticipated things can still happen.

The recent occurrence of an earthquake in Virginia that was felt and caused damage throughout the Mid-Atlantic and Northeastern United States is an example of a rare but potential problem that a business operating or having vital infrastructure in this region, must be prepared to address. Likewise, that same business may have been impacted by the destructive forces of Hurricane Irene that traveled through this same region shortly thereafter. While risk management is clearly important, an organization that desires continued survival and success must be prepared to deal with crises should they occur.

### **Business Continuity and Organizational Resilience**

The weather-related events described above illustrate the ever-present unpredictability of the environment in which the contemporary business organization operates. Its success, as well as its survival, is conditioned on its ability to ensure the continuity of operations necessary to meet the expectations of its various stakeholder groups. Should an organization find itself in the unfortunate position of not being able to continue its operations in accordance with the expectations of its stakeholders, the resulting outcomes can challenge not only an organization’s future success, but also its survival, particularly if the business was struggling in advance of the unanticipated “curve ball” thrown its way by opposing forces that are beyond its control – such as a natural or man-made disaster, or an act of terrorism.



The necessity of developing organizational resilience to “spring back” from such unexpected, and often catastrophic, events is obvious, as is the role that such organizational resilience plays in an organization’s pilgrimage to the desired future state articulated in its mission statement and strategic goals. Absent such resilience, an organization stands to experience decreases in sales, market share, and profits subsequent to the occurrence of an event that interrupts its ability to continue to conduct its operations in a manner that continues to meet the expectations of its stakeholders. The even more tragic consequences of such an occurrence can be the organization’s loss of goodwill, reputation, and customers. The aftermath and consequences of such unanticipated events can challenge the organization’s very existence and survival.

### **The Role of Crisis Management**

While the author fully recognizes the essential roles of both strategic planning and risk management in positioning contemporary business organizations to face and recover from the challenges on an ever-changing and unpredictable world, the premise of this article is to advocate that crisis management represents the third leg of organizational preparedness today. A coordinated approach that skillfully integrates strategic planning, risk management, and crisis management will enhance an organization’s ability to withstand the many diverse challenges of a dynamic external environment.

Crisis management represents a necessary counterpart to risk management. While both are valuable tools that an organization can utilize to manage the anticipated or unanticipated risks or threats that it faces, there are distinct differences in the orientation of these two approaches and in the manner in which each contributes to organizational resilience, survival, and success. Whereas the focus in risk management is on the identification and consequent avoidance of these threats, crisis management involves dealing with threats after they have occurred. While there are numerous threats that can challenge the contemporary organization, these threats fall within a limited number of areas. Lerbinger suggested that crises can be considered as falling into seven categories: natural

disaster, technological crises, confrontation, malfeasance, organizational misdeeds, workplace violence, and rumors.

While the occurrence of a crisis will often be well beyond the control of an organization, how it responds to that crisis is not. Its preparedness to respond regardless of the nature of the crisis will in large part determine its ability to maintain its operations and consequently continue to meet the expectations of its stakeholders. The importance of responding to the reality, as well as to the perception of the crisis, must be understood. How an organization responds to and handles a crisis in large part comes down to its leadership.

There are numerous examples of both successful and unsuccessful crisis management. Successful crisis management is clearly illustrated in the incident involving the product tampering of the Johnson and Johnson product Tylenol. The successful handling of this incident through an extensive product recall, immediately enhanced the organization’s existing reputation as a well-respected company, and in a fairly short time actually enhanced its market position. The organization had a crisis management plan that was premised on doing the right thing in the event of a crisis. Union Carbide’s handling of the Bhopal incident and Exxon’s handling of the Valdez oil spill serve as well-known examples of unsuccessful crisis management.

### **Achieving Organizational Resilience**

Organizational resilience represents a key determinant of an organization’s ability to weather a crisis and withstand its many potential associated challenges. The multifaceted challenges of the contemporary business environment necessitate that organizations develop the capabilities required to minimize the business impact of predictable as well as unpredictable events. The significant consequences of being unprepared to effectively and efficiently manage crises and other unexpected occurrences must be recognized. A lack of preparedness in terms of crisis management can undermine an organization’s success and survival.

Through coordinated and comprehensive strategic planning, risk management, and



crisis management, those responsible for leading contemporary organizations can greatly enhance the potential for both organizational success and survival. The synergistic utilization of these three management tools represents an act of organizational stewardship on the part of an organization's management team. The skillful and proactive use of strategic management enables an organization to chart its course. Through risk management, risks can be proactively identified and addressed. When all else fails, which it will at times, and a crisis occurs, the proactive actions of developing a crisis management plan and ensuring its readiness will stand the organi-

zation in good stead to address the many demands and challenges associated with crises that, if not addressed in a proactive, timely, and professional manner, are fully capable of causing irreversible harm to an organization.

#### References

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