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Why the Smartest Businesses are Investing in Building Resilience

A WHITE PAPER BY PEPIT CONSULTING

JANUARY 2020



Content

Introduction	3
Resilience Fosters Engagement and Retention	5
Resilience Drives Performance	7
How do you Recognise Resilience in Your People?	9
How to Build a Resilient Culture	12



Foreword

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Globalisation, digitalisation and economic upheavals mean that organisations are under constant pressure to adapt and endure in order to build a sustainable future. **Never has the capacity for resilience been so important for companies to not only survive, but even thrive in the face of change.**

Many employees have had to navigate company restructure or transformation and have moved jobs or changed roles continuously. Many have been exhausted and worn down by heavy emotional burden.

Thankfully employers are understanding how investing in the resilience of their human capital will provide happier workforce and more productive businesses.

I have coached and trained hundreds of individuals and teams working in challenging and diverse business environments. Since 2017 PEPIT has grown from strength to strength working with a variety of structures including Top 500 Fortune companies, the UN and international NGOs.

Our role has been to support these organisations, providing them with strategies for the recovery of their human capital. Increasingly, we have placed the accent on a different type of resilience - one where companies move away from a "passive" and reactive resilience, to one that is "proactive" and built on anticipation and prevention.

Today we are proud to accompany our clients to build resilient workforces, to anticipate change, and to see all of these challenges as an opportunity for growth.

This Paper contains extensive research, best practices and case studies on resilience in human capital which sets out the business case for building resilient work cultures and provides some guidance on how to make this happen.

Everyone seems to be talking about resilience. It is one of the biggest business buzzwords of the moment being thrown around by leaders in company boardrooms everywhere, but what does it really mean and why is it so important for your business?

Why are some businesses investing considerable time, energy and money into building a resilient culture?

We are living in a world where the only thing we can be certain of is that things are constantly changing. Organisations and employees are facing a turbulent, surprising, continuously evolving marketplace combined with longer hours, shorter contracts, tighter margins and internal structure changes.

Employees are under pressure to constantly adapt and the stress this can lead to undermines their mental resilience and performance, which in turn undermines the performance of their organisation.

Like living organisms that naturally adapt to their context or they die, organisations that fail to adapt to this ever-changing world will not survive. As Charles Darwin's theory of evolution shows, 'It is not the strongest or the most intelligent who will survive, but those who can best manage change'. Only the 'fittest' organisations that can respond to external events and adapt rapidly to their changing ecosystems will survive and thrive.

Only well-prepared, flexible, agile, dynamic organisations with the ability to change continuously and effectively will prosper. And only resilient organisations made up of resilient employees are built for this.

Resilience Fosters Engagement and Retention

Investing in employees' health and wellbeing at work is a foundation to organisational resilience. Providing staff with training and support to increase health and connection to their work will decrease chronic stress (a widely prevalent and growing problem), improve employee engagement and ultimately productivity.

The World Health Organisation says that for every dollar invested in employee wellbeing, 4 dollars are earned back in increased employee retention and productivity (WHO, 2019).

For every dollar invested in employee wellbeing.



4 dollars are earned back in increased employee retention and productivity

Providing training and support to employees as they navigate ever-changing and demanding work environments makes good business sense.

Since 1995 Johnson and Johnson employees have benefitted from investment in wellbeing programmes to develop their resilience. Leaders at the leading FMCG company, estimated back in 2010 that **the programmes had saved the company 250 million dollars in health care costs since their inception** (Leonard Berry, Harvard Business Review 2010).

Why should an organisation not just get rid of the employees who are stressed, less engaged and less productive and hire new ones?

McKinsey published 'The War for Talent' in the 1990s, but then the international financial crisis of 2008 hit and talent management was deprioritised. Research by the Deloitte Center for the Edge found that over the last 55 years the average company tenure on the S&P 500 has declined from 67 years to 15 years and the average tenure of a senior leader is 3 years.

It is perhaps not surprising that executives tend to have short-term goals, focused on minimising costs to drive profit and paying more attention to process and technology transformation than to the people element.

But talent management is back and high on the agenda. A global survey of chief executives by KPMG in 2014 found that the struggle to find skilled employees was the 2nd biggest challenge facing business leaders.

Only 18% of Western firms say they have enough talent. Towers Watson found that 59% of companies have trouble finding skilled employees.

Retention now needs to be a key priority as the ability to attract and retain skilled and talented people is a powerful competitive advantage and developing people will prove much less costly than recruitment.

Resilient Cultures Drive Performance

Organisations that are focusing on resilience are thriving and delivering better results: a culture of resilience improves the performance of people and organisations.

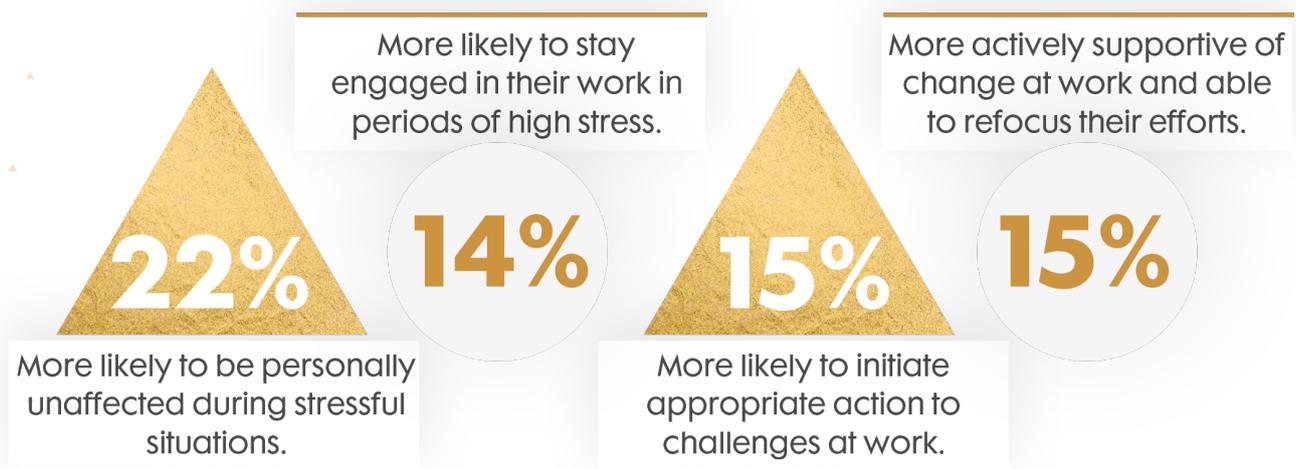
Resilient employees are correlated with increased goal attainment (Grant et al, 2009), productivity, lower turnover, have lower healthcare costs (Lee, 2008) and higher levels of motivation and commitment.

In research findings, business consultants who rated higher on emotional resilience had more billable hours and better client relationships.

UK Health Risk Assessment data shows a clear statistical correlation between higher levels of resilience and better work performance, with emotional resilience as the most influential factor in predicting performance in UK workers (TRACOM GROUP, 2018).

Research also shows that employees with resilience training are 22% more likely to be personally unaffected during stressful situations, 14% more likely to stay engaged in their work in periods of high stress, 15% more likely to initiate appropriate action to challenges at work, less afraid of unexpected changes and 15% more actively supportive of change at work and able to refocus their efforts.

Employees with resilience training are:



So why does resilience correlate with better performance?

Once we really understand what resilience is, it becomes self-evident why it drives the productivity and performance of individuals, teams and entire organisations.

What then is resilience?

There are a multitude of definitions on a spectrum ranging from survival to recovery to positive transformation, from reactive to active, from survive to thrive, from Bridges' 'ability to bend and not break' to the French *résilience* or reaction to a negative event to the Anglo-Saxon concept of being prepared, embracing change as good and growing through it.



For us, resilience goes way beyond just good physical health and well-being and the agility to swerve around obstacles, bounce back and rebound rapidly from crises or adversity and survival in the face of threat. **It is the ability to bounce forward in times of adversity and embrace forward momentum despite challenges.**

Resilience is an inherent, cultivated and constant state of preparedness and readiness to anticipate and cope with surprise and unforeseen adversity, to see change and surprise as a source of opportunity and to anticipate and seize negative occurrences and challenges as unexpected chances for growth.

It is the attitude, fortitude and skill set that enables one to cope with efficiency and effectiveness in periods of change and stress based on a belief that a crisis is not to be feared or just survived, but is an opportunity to prosper when others falter.

Resilient organisations have the ability to change, adjust positively and with speed to take situation-specific, creative, robust and transformative actions when confronted with changing conditions, unexpected events and challenges.

As such, **resilience is a necessary pre-condition for strategic agility and a capability for organisational adjustment** that cannot be fully established in advance. It is critical for organisations to succeed and thrive in this environment where the pace of change is so fast that plans are often superseded by events before they can be delivered.

How do you Recognise Resilience in Your People?

These are the formal definitions, but what does resilience look like? How do you know it when you see it?

You will certainly know it when you don't have a resilient organisation. Less resilient people dwell on problems and feel overwhelmed, they may get caught in rumination, a victim mentality, procrastination or even frozen in uncertainty. They are afraid of making mistakes or of failure and try to protect themselves from this by resorting to rigid, standard, acquired processes and solutions.

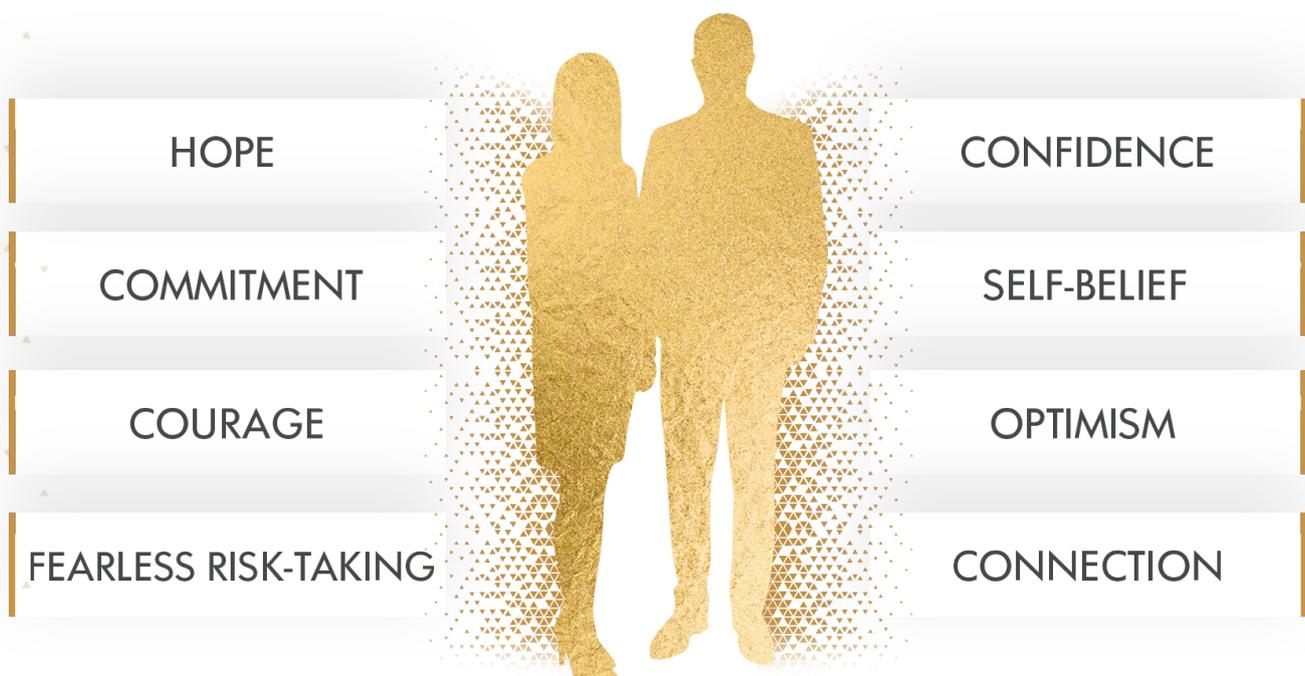
Low resilience leads to chronic stress. Chronically stressed employees exhibit less enthusiasm and commitment to their work and are more likely to disengage. All of this leads to a decline in mental capital and loss of productivity.

Indicators of a resilient individual, team or organisation

In many ways, resilience is hard to see and recognise because it is an intangible, invisible state and culture grounded in profound psychological health.

However, there are a number of characteristics and indicators of a resilient individual or organisation.

What you will see is confidence, self-belief, optimism, connection, hope, commitment, courage and risk-taking without fear of failure – which will result in creativity and innovation, even, and especially, in times of adversity.



You will see people who are externally aware and alert and who anticipate and accept both internal and environmental changes, and challenges, and respond to them with a growth mindset, creative solutions and ideas to overcome them.

They will see difficult situations and stress not only as a normal part of life but as an opportunity to grow. They will be relaxed and decisive without rumination despite uncertainty, accepting the discomfort of not doing things perfectly and the possibility of failure. As a result, it provides an emotional stability and control that enables them to cope with adversity without stress or depression. **They believe that, regardless of what happens, they can control their reaction and response to it.**

This all combines to make them psychologically nimble and give them 'change-ability', strategic sensitivity and agility. Doz and Kosonen describe this as 'The ability to continuously adjust and adapt strategic direction' with improvisation and opportunism so that 'business as usual' becomes 'business as new'.

Resilient organisations have an ability to assimilate and apply new knowledge and are collaborative enough to abandon existing plans and procedures when necessary, making decisions and developing new solutions and approaches quickly and creatively.

You will also see people who are centre stage and willing to speak up and act, leveraging the diversity in the team with information and ideas coming from anyone in any part of the organisation at any time.

Accept both internal and environmental changes	Apply new knowledge
Can control their reaction and response to it	Willing to speak up and act.

Resilient people and teams will also have 'bounceback-ability' and huge learning capacity, based on their desire to give and take constructive feedback, talk about and learn from failure and mistakes because they see them as sources of learning, self-improvement and progress that help build wisdom.

Importantly, they focus on discussing the mistakes and how they could have prevented them, not those who made them. You will also see Albert Bandura's 'self-efficacy', or sustained effort and perseverance driven by willpower and a belief that no matter how bad things get, one must keep trying.

When you have a resilient team, you will see it: they trust and support each other, take shared accountability and their cohesion and connectedness gives a sense of 'we' or 'us' versus 'me'.

They thrive on positive interactions and forging relationships with others, including with suppliers, customers and strategic alliance partners. This gives them reservoirs of learning, ideas and assistance from others which enables them to find and mobilise resources and ensure continuous slack for when it is needed to seize an opportunity, resulting in immense resourcefulness.

In reviewing what resilience looks like, it becomes somewhat self-evident that this is a culture any organisation would want to have and thus to invest in. One side note in case of any doubt:

Nobody questions the importance of investing in innovation and everyone is doing it, but investing in resilience IS investing in innovation.

You need to be a resilient organisation to innovate, because people create when they are relaxed, healthy, comfortable, safe, secure and empowered.

They do not innovate and perform at their best when they feel stressed, afraid of failure and vulnerable.

LinkedIn is a company that invests heavily in its people. It is constantly thriving to make the workplace a happy environment that inspires its employees. The CEO holds bi-monthly meetings sharing updates with all his staff and employees are encouraged to book days where they invest in themselves and their teams. The results speak for themselves: "In 2017, LinkedIn helped 4 million people find jobs" and the figures are on the rise (Jacob Morgan, 2018).

How to Build a Resilient Culture

So, what does an organisation need to do to build resilience in its people and teams?

The first step is to know where you stand.

Audits are very important. Organisations that do a good job in maintaining employee resilience are proactive in this and have a strong understanding of the current 'health' and resilience levels of their employees.

Importantly, if your assessment sets off alarm bells, you need to understand what it is that is eroding and draining resilience in your organisation to ensure you work on the right things. **Many have invested in programmes that have delivered mixed results because they have not done the pre-work of understanding and identifying the specific root cause of the issues in their organisation.**

Resilience barriers

There are many different forms of resilience barriers, drainers and eroders, and you need to understand which of them are undermining your organisation and its performance. The right diagnosis of the specific cause of your organisation's low resilience will help you to identify the next steps. Causes could include:

1) A non-trusting employment relationship: if there no longer exists a supportive social contract between employer and employee (for example due to job insecurity), people do not feel 'psychologically safe'. They can experience stress, lose motivation and become less productive or withdraw their discretionary effort and become less willing to 'go the extra mile'. They lose trust in leadership that doesn't 'walk the talk' and respond by uncoupling themselves from their work roles, or leaving the organisation altogether.

2) Poor communication and management of change. As William Bridges noted, it is not change that people resist, it is the feeling of loss and that they are going to lose something and have had no say in the decision to change (Bridges, 1991).

3) Rigid leadership structure, rooted in a traditional 'HQ' hierarchical culture which concentrates control and power at the top and is built to ensure management control over execution, discipline, coordination and cost effectiveness, with sets of procedures and guidelines for tasks and multiple levels of approval required for change.

These structures are not built to be flexible and adaptable and lead to slow response times, lengthy decision-making, political behaviour and lack of accountability. They do not empower employees to act with initiative and bring innovation.

McKinsey research found that directors still spend 70% of their time on bureaucracy and administration such as quarterly reports, audit reviews, budgets and compliance. If people are held too tightly to account, they are unlikely to use their initiative to innovate and their capability is untapped (McKinsey, 2008).

Maintaining a flat organisational hierarchy can get tricky as companies become larger. However, there are ways to maintain this culture while growing as a company.

For example, you can consider harnessing the power of smaller, project-focused teams that are far more agile with faster velocity than big departments. Facebook and Microsoft are great examples of this approach.

4) Arbitrary, unconnected and meaningless work allocations with ambiguous role boundaries and unclear or constantly changing objectives.

5) Poor individual leaders:

- ▶ **who are risk averse** and demand an overwhelming body of evidence before making decisions, procrastinate and wait too long to take corrective action.
- ▶ **who are perfectionists** and over-prepare, over-work, over-criticise, over control, micromanage and are unwilling to delegate tasks or share work. They only trust themselves to meet their excessively high, unrealistic standards and thus create stress and miss the diversity of thought from including others in the process.
- ▶ **who create a blame culture in the face of failure**, punishing mistakes versus seeing them as a source of learning and leading to fear and focus on preventing failure rather than seeking success.
- ▶ **who instruct not coach** and don't give feedback or praise when due.
- ▶ **who are not inclusive** or do not create space for people to speak up and give their ideas.
- ▶ **who do not recognise and reward innovation.**
- ▶ **who do not provide access, support and adequate resources.**

- ▶ **who do not focus on skill development.**
- ▶ **who do not address negative, unsupportive working relationships.**

6) Poor life balance and lack of recovery or self-care. With the introduction of the internet and ability for people to work remotely, the boundary between work and the rest of an employee's time has become blurred.

Work has bled more and more into employees' personal lives and there is no respect for free time. As Greg McKeown has pointed out, employers wouldn't want employees bringing their kids to work during the work day, but they expect employees to work at evenings and weekends (McKeown, 2014).

Neglecting employees' need for recovery from the strain of the workday seriously affects their personal well-being, resilience and employment performance.

If an organisation is facing any of these eroders, they need to be urgently addressed before lack of resilience becomes debilitating and damaging – for the individual and the organisation.

Most importantly, resilience is not magic: it can be learned and developed. It is a myth that some people are just resilient whereas others are not. In fact, it's not about the person – the same people in a different culture can be more resilient and deliver better results.

Over the course of the past year, PEPIT worked with a multinational based in Switzerland that has been navigating substantial transformation. Numerous audits, health checks and trainings have already produced positive results for the company's human capital.

The need for support for building resilience has been widely recognised with over 90% satisfaction recorded in the various trainings. **Some senior executives have adapted their approach to energy management and this has led to drastic improvements in their well-being and performance at work.** Awareness of resilience has increased across the organisation and the taboo surrounding stress and burnout is starting to lift.

The company is now offering resilience trainings to their managers, helping them to recognise signs of chronic stress and to manage presenteeism within their teams. Of course, the positive impacts will continue as the programmes develop.

It takes time to establish a resilient culture but the results are encouraging and are proof that with the right approach change is possible.

Research suggests that resilience can change over the course of a person's life and is responsive to a person's experiences. It is a malleable phenomenon and thus suitable for intervention (Crane, 2017). The study of personality neuroscience points to heredity as accounting for around 50% of a person's personality ('states'). However, heredity is not the sole source and at least some personality dimensions ('traits') are non-hereditary and can be attributed to the environment.

In social cognitive theory, part of what people learn comes from observing others. In a work environment, organisational knowledge is acquired by observing how others model behaviour. We see emotional contagion, when emotions become transferred between people.

Leaders and in particular senior management, have a key role in modelling resilience. The right behaviours and mindsets can trickle down and ripple out from leaders, across teams and so be learned and developed by all individuals and by the organisation as a whole.

Resilience is contagious, a self-fulfilling prophecy, an upward spiral (but also a downward one if you get it wrong) in the self and others.

As organisations succeed with bold innovation and moves, they develop expertise and confidence; the demonstration of resilience feeds back into the capacity for resilience. When adversity and failure are seen as teachable moments, people are less likely to fold under pressure and setbacks.

Organisations can train individuals to engage in positive rather than negative interactions and thus, through experience, the capacity for self-efficacy and resilience can be encouraged, developed and learnt over time.

However, resilience will only become a contagious self-fulfilling prophecy in an organisation if it already exists and is allowed to spread and grow.

Step one is to understand your resilience status.

Assessments can be done to measure the resilience of the organisation, teams and employees and to identify strengths, issues and improvement areas. The results can then be incorporated into a tailored and holistic HR/ Corporate Resilience strategy, with ongoing interventions and plans including policies and training/ coaching programmes at all levels, including:

- ▶ Creating a non-hierarchical structure that drives empowerment, accountability and delegated decision-making
- ▶ Resilient leadership, role models and ambassadors
- ▶ Driving trust and psychological safety to unleash discretionary effort and innovation
- ▶ Information sharing
- ▶ Connecting employees to the purpose and meaning in their work
- ▶ Providing additional support to managers
- ▶ Championing resilient behaviours via events and measuring and rewarding results
- ▶ Working on team identification and relationships
- ▶ Resource management
- ▶ Skill development and training
- ▶ Ensuring quality employee recovery time and space

Importantly, you can and should be monitoring ongoing status and progress so you can re-focus, adjust and evolve your interventions as required.

The important thing is to get started with the understanding and the work. Measures to improve resilience are often introduced too late to save an organisation from poor performance and results, or even its demise.

It is not easy work: organisations are collections of individual free agents, they are made of people and people are highly complex individuals, an intricate mix of physical, emotional, cognitive and spiritual perceptions and behaviours. But it is essential work and, with the right assessment and understanding, it can be done.

Smart businesses know that organisations are made of human beings and that human beings cannot leave their emotions and personalities at home. They also know that the majority of people are naturally quite resilient in the face of difficulties and that they just need the right, motivating, empowering environment that allows the opportunity for them to be.

Above all, they know that what drives resilience, drives employee engagement and retention and drives performance.

That's why the smartest businesses are investing in building a resilient culture.



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If you are interested in working with Pepit Consulting on assessment and interventions to understand and drive resilience in your organisation, contact us at:
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