



The Business Case for Enterprise Resilience: *Significant Risks, Substantial Rewards*

The Risks of Corporate Crisis: Businesses operate in a significantly more uncertain world today than in decades past. Corporations are increasingly being held accountable for how they address risks and their ultimate impacts on the firm.

- **High Probability:** There is a high probability that any one of a number of crises will impact a corporation at any time. A diversity of factors contribute to increased risk including globalization's off-shoring / outsourcing strategies and extended supply chains, ever-growing reliance on technology and resultant interdependencies, just-in-time inventory regimes, increasingly impactful natural catastrophes, heightened international political tensions, cyber threats and other IT vulnerabilities, communications and power supply interruptions and the voracious appetite of 24/7 media. Recent research of a broad range of Global 1000 firms indicates that, over any five year period, there is an 80% likelihood of a major crisis occurring that will significantly impact any publicly traded business.¹
- **High Impact:** The impact of crisis on the corporation can be substantial. Lost sales, lost customers, reputational impact, increased expenses, decreased production capacity and declines in employee morale are common. The public markets tend to assess the impact of crisis and adjust stock prices accordingly. This same research revealed a minimum 20% to 30% decline in corporate stock price in the 30 days following the recurring five-year crisis identified among Global 1000 business. Further it concluded that whether a corporation subsequently rebounds from crisis or continues in decline is based on how its executives manage the crisis.¹
- **Clear Opportunity to Prepare:** The strategies and tools to establish corporate resiliency to crisis are generally available. They can be used to cost effectively prepare for most crises both large and small with a single "all-hazards" planning approach.
- **Strong Accountability of the Corporation & its Management:** With a high probability and high impact of crisis as well as a clear opportunity to address the risks in advance, both corporations and their management teams are increasingly being held accountable to their shareholders, employees, regulators and the general public for their management of risk and crisis. The research indicates that senior management jobs are directly linked to successful management of risk and crisis.¹

The Rewards of Corporate Resiliency: There are clear financial and strategic rewards for enterprises that develop resiliency programs to bounce back from adversity and to adapt to and prosper in a quickly changing marketplace. Preparedness and agility are the essence of robust corporate resiliency. Bottom-line impacts of corporate resilience include:

- **Assuring corporate survival** in planning to sustain core operations and their revenue streams through crisis
- **Expanding the customer base and increasing customer retention** including participation in selective customer supply chains with security and preparedness requirements
- **Decreasing operational expenses** through lower insurance costs, reduced legal litigation costs, decreased theft, reduced employee turnover, and increased competition among suppliers
- **Lowering cost of capital** as both equity and debt markets (including key rating agencies) increasingly evaluate corporate preparedness and resiliency
- **Protecting key assets** including inventories, property, plant, equipment and intellectual property
- **Strengthening reputation and brand** through both the application and communication of resilience
- **Reducing liabilities** including decreased provisions for litigation, damaged inventory, asset impairment, environmental claims, dismantling provisions, and employee benefits
- **Facilitating regulatory and governance compliance** both internally and in terms of external review
- **Increasing productivity and innovation** often supported by more effective internal communications, streamlined processes, more adaptive workplaces, better workflows and increased employee morale
- **Increasing agility in identifying and pursuing new opportunities** created by a rapidly changing marketplace

¹ Oxford Metrica 2003